CONTENTS VOLUME 50 NUMBER 9 SEPTEMBER 1987

BOATING INDUSTRY

FEATURES

The Business Outlook: 1988
Economic indicators point to continued prosperity for recreational boating in the new model year. All links in the distribution chain are attuned to new marketing challenges, and are paving the way for another profitable year. 55

Are You Ready for a Sales Tax Audit?
Having the right information for an examiner at the beginning of a sales tax audit improves your chances of emerging unscathed. 64

Marine Computer Systems 1988 Guide
BI's fourth annual computer buyer's guide is a valuable reference source for locating boating software. 65

Computerized Marine Job Costing Systems
The key to finding the best job costing package is to match the needs of the business to the capabilities of the software. 67

Will You Fall Prey to Computer Fraud?
If you've already installed some form of computer system in your marine business, it behooves you to take a look at the proliferation of employee theft. 70

Dealers of the Great Plains
Despite harsh geographic conditions and a volatile agronomic economy, retailers in the Plains states are aggressively pursuing all marketing opportunities. 73

Plan More Productive Store Meetings
Holding store meetings is an important function of the marine manager, but far too many of these sessions fail to achieve positive results. 79

Plotting a Course to Electronic Profits
Electronic plotters are bursting on the marine scene and this market's potential definitely deserves your attention. 80

Off-Season... Time to Slow Down, Not Shut Down
The selling pace of the busy spring and summer months is rarely sustained during the winter and fall; however, used inventory provides a golden opportunity to retain staffs and generate revenues. 87

DEPARTMENTS

Editorial
Battle Lines Drawn 11

Reports
Marine Business News 1
Page Six 6
Newswatch 13
Corporate Moves 14
Washington 25
Boat Shows 32

Departments
Letters 12
People 15
Financial Digest 20
International 26
Sales and Marketing 27
Distribution 29
Associations 30
Coastline 31
Calendar 33
Retailing 34
Sight and Sound 94
Literature 98
Classified xx

Columns
Sail 51
Retailing 52
Service 54

Cover

BI presents an authoritative consensus on the overall business climate that will prevail in '88.

PHOTOS: BOND MARINE Z-65 SPORTFISH CONVERTIBLE, NEWPORT INTERNATIONAL SAILBOAT SHOW PHOTO BY BOUNDAS

Dealers of the Great Plains

Geographic and economic conditions in the Great Plains appear to be against any marine dealer doing well. Yet, some retailers are beating the odds.

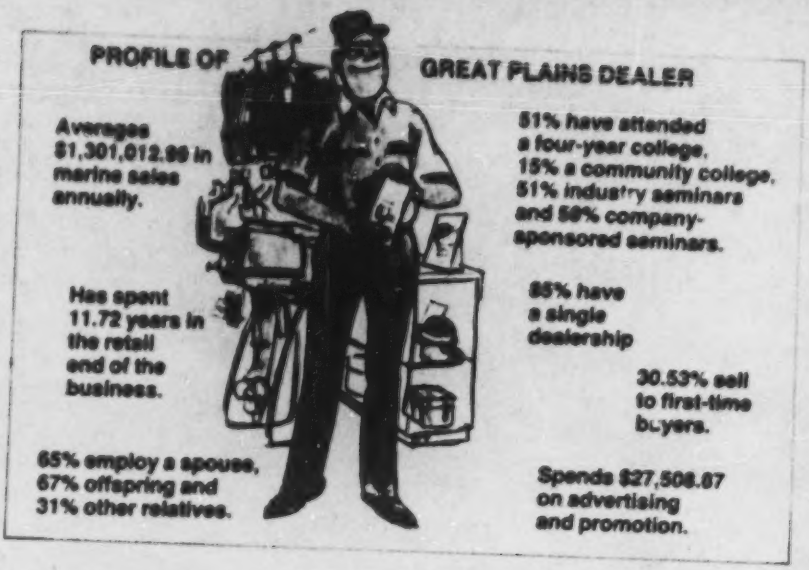
BY KELLI ANNE GAFFNEY

The Great Plains states, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas are not generally considered a boating mecca. The stereotyped image is one of sprawling farmland and factories. Geographic and economic conditions appear to be against any marine dealer excelling in this area. There are no coastal waters and, except in the state of Minnesota, little inland water. The boating season is extremely short and the primary staple of life is farming, a somewhat risky occupation at best. Yet, despite all these drawbacks, boating is alive in these states and many retailers are there to stay.

Contrary to other areas of the country where big business is ousting family organizations, mom and pop dealerships are still very common in the Plains, with sixty-seven percent of the dealers surveyed employing their spouses, offspring, and relatives. And, while some dealers have been in the marine retail business twenty or more years, most

average around twelve. Most Plains dealers have attended company and industry seminars but only about half of those surveyed have completed four years of college.

The physical lay of the land in the Plains states is the obvious deterrent to a sizable boating market. In most states, lakes and rivers are few and far between. The total amount of inland water in all these seven states is only 9,692 square miles, just under 17% of the total inland water in the continental United States. Minnesota, the exception, has 4,854 square miles of inland water.


PROFILE OF GREAT PLAINS DEALER
Averages $1,301,012.99 in marine sales annually.
Has spent 11.72 years in the retail end of the business.
65% employ a spouse, 67% offspring and 31% other relatives.
51% have attended a four-year college, 15% a community college, 51% industry seminars and 58% company-sponsored seminars.
85% have a single dealership
30.53% sell to first-time buyers.
Spends $27,508.87 on advertising and promotion.

With a very short boating season and little inland water, boating is not a top priority among consumers

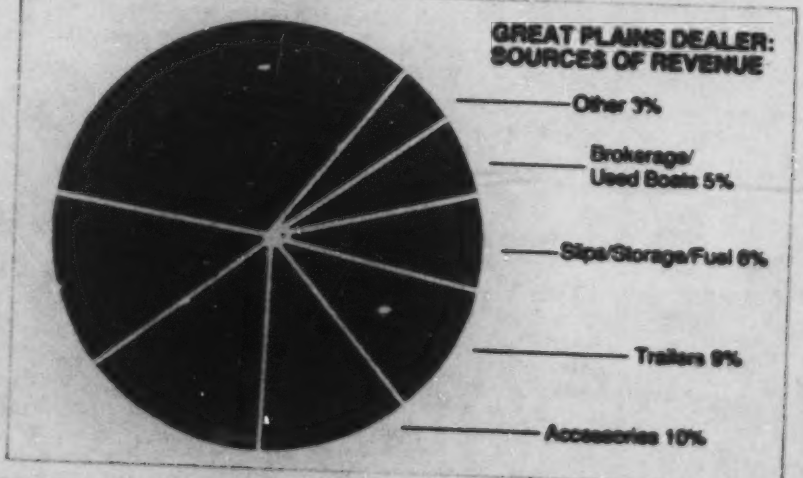
Winters are long and extremely cold in the Plains. The summer season is very short, usually just those ninety days between Memorial Day and Labor Day. For these dealers, weather is a major factor. Terry Kahler, president of Lateke Sportacenter in Iowa, sees a direct correlation between the weather and his sales figures. "We are having a pretty good year," he said, "because it has been warm and sunny. Cold rainy weather doesn't help our business." Dealers, therefore, must aggressively prepare for their summer season to take advantage of the hospitable climate while they can.

Since most boating is done on small lakes, the runabout is the most popular boat model, with almost 80% of the surveyed dealers naming it their top-selling boat. And, almost 20% said they wanted to add a runabout to their present product line. Overnight boats, like cruisers with cabins and sleeping accommodations, were cited by only 24% of the dealers as a top selling product. Although fishing is a popular pastime in the areas that are near or on fresh water, fishing boats ranked second in popularity, receiving only 48% of the vote.

Most boaters in the Plains are looking only for day-to-day recreation. Not surprisingly, recreational equipment, such as waterskis and watersports products, was named the top selling accessory product for the area, receiving almost 70% of the vote. Electronics, usually a top seller in other parts of the country, came in second.

The overall economy for most of the Plains is based heavily on farming, which has seen better days. Ken Ervin, Ervin Auto & Marine in Parsons, KS, explained his situation: "Southeastern Kansas is at the lowest farm and industry level in 35 years. Thirteen banks have closed in the area and the unemployment rate is 8-9%. The farm industry has been in the hole the past five years. There is no cash flow for middle class blue collar workers. They are living check to mouth." While the farmers themselves usually don't buy boats, the lawyers, bankers, and merchants whose livelihoods are closely intertwined with farming can't afford recreational products if their primary customers are in trouble.

Dealers like Doug Dunker in Battle Lake, MN, also have to contend with government restrictions that are intended to help the middle and lower classes, but that actually hinder the small businessman. Dun-



BEST SELLERS
GREAT PLAINS DEALERS

BOATS
Runabouts
Fishing Boats
Pontoons
Bass Boats
Cruisers
Fish 'n Ski Boats

ACCESSORIES
Recreational Equipment
Electronics
Hardware
Safety Equipment
Maintenance Equipment

POWER OPTIONS
Outboards
Inboards/Outboards
Inboards

LIKELY TO ADD
Runabout
Outboard
Miscellaneous Craft

ker cites problems with tax regulations, insurance, workmen's compensation, welfare tax, and unemployment, all of which contribute to the hardships of dealers.

The population in these states is relatively small, totalling only around 17,733,000. And, boats are not a primary consideration for its people. In fact, only one out of every 15 people has a boat, according to the July 1986 issue of *Sales and Marketing Management*.

Each state has its own distinctive boating community and having less water does not necessarily mean less boats. Of the seven states, Iowa has the least water totalling only 309 square miles, yet the state boasts 190,118 registered boats. Minnesota, with the most water of the seven states, 4854 square miles, has 645,452 boaters. All totalled, registered boats in the Plains number about 1,319,504; 14% of the total boats in the United States.

The advantages of owning a dealership in the Plains are few, but there are some. The competition among dealers is relatively low since dealerships tend to be spread farther apart and some dealerships draw customers from one hundred or more miles away, something to be envied in other parts of the country. The disadvantages, however, seem far more overwhelming.

CLOSEUP

Service is the Only Way

Randy Kelly, owner of Kelly's Port Inc., used to be in the saloon business in Kansas City. Then, as he puts it, "I got tired of going to bed at three o'clock in the morning and waking up with a hangover. Now I go to bed at ten o'clock at night and still wake up with a hangover, so I don't know how much I've really improved my plight. It was a family business and I was looking for a challenge."

He was preparing to move to Hawaii, when he asked one of his customers how his marina business was doing. The business was for sale, and since moving to Hawaii was turning into a hassle, Kelly bought the marina. Thirty-five days later, in June 1977, he had taken it over. Since then "it's been neat." Things started slowly. "The first five years we were here we just kind of did okay, but once we got teamed up with Regal and the credibility of Regal, then we went into our expansion. We've added rack storage buildings and we've put in different locations. They're a super good company."

The operation is centered on the Lake of the Ozarks, in the town of Gravois Mills, MO. He now has three locations — one on the water and the other two are sales outlets where he sells Regal boats and Ventura pontoons. "We've set our business up around the slogan 'Buy the best and only cry once.'"

"We have five factory trained mechanics, three full-time fiberglass people, two mechanic trainees. On Lake of the Ozarks, service is very very important. The majority of sales that we make are from word-of-mouth. To keep that word-of-mouth positive is also very very important. Between all three locations we employ about 24 people."

He also does custom painting. He special orders white boats from Regal and then custom paints them for customers.

Kelly is now Regal's third largest dealer. Kelly puts this in perspective by noting that "the largest Regal dealer is on Long Island, the second largest is in New York City, and then we're in Gravois Mills, population 34.

Kelly estimates that repairs are about 10% of his gross and boat sales about 80%. "We go to a lot of shows: six shows in the spring, open houses in the fall, and a small show in the fall."

"Most of our business is centered around a big bow riding boat and a medium sized cuddy cabin boat, a 25 ft cuddy cabin boat. We'll sell 60 of their (Regal's) 25-ft cuddy cabin boats and in their 21-ft bow rider we'll sell 40 or better. The Lake of the Ozarks is a big old lake with a lot of traffic so you need a good riding boat. That's where the Regal boats really sparkle."

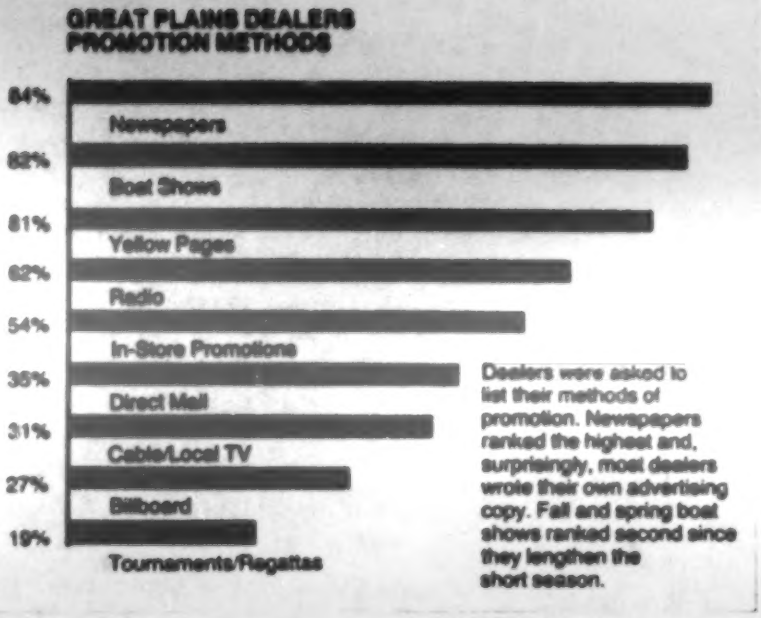
Looking back he says "When I bought this place I thought I'd do it for two or three years but its just gotten to be more fun. The industry has changed so damn much in the last few years it's really gotten slick. There's lots of new stuff coming out, it's just turning into a big business instead of a ma and pa business." □

John R. Burger

The shorter season brings a multitude of problems. Dealers find themselves depending on only three short months to maintain their livelihoods. They must work feverishly to build up profits that will allow them to remain in business.

According to the dealers surveyed, like Steve Magnuson, West-

The economy of the Plains is primarily based on agriculture, a somewhat risky business at best.



gate Marine in Grand Fork, ND, dealers begin promoting early in February with boat shows to get a jump on the short selling season. Magnuson also offers a special payment plan so consumers can buy early and pay later. Yet another dealer holds shows in spring and fall to lengthen the boating season.

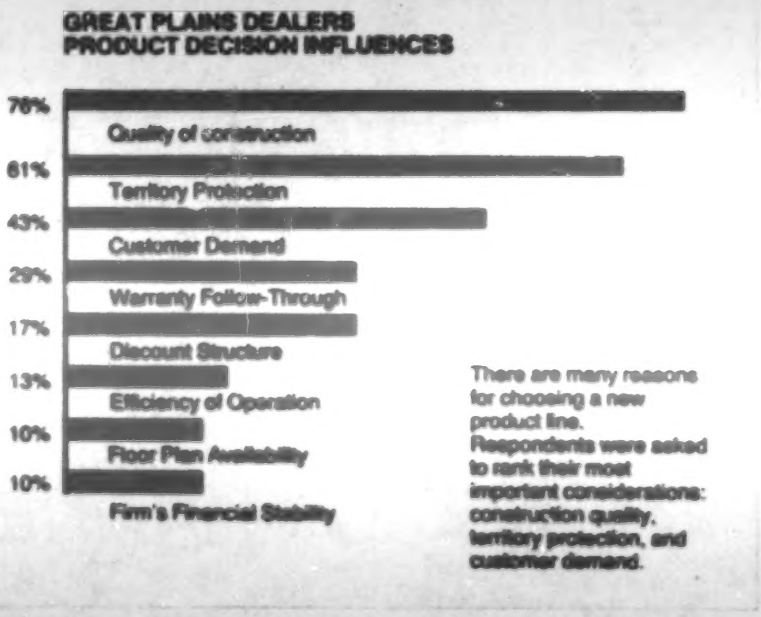
Since dealers must approach their market aggressively, advertising is an important tool. Plains retailers try to draw consumers from areas considerably farther away than their counterparts in more urban states. The average spent on advertising is about $28,000 per dealer. Surprisingly, most dealers write the copy for their ads in-house. Many use interview and testimonial ads. Newspapers, boats shows, and the Yellow Pages were ranked as the three most popular advertising mediums. In addition, in-store promotions and radio were also important in reaching the public.

Since many of the dealerships are closed during the coldest months of the year, a major problem cited by most dealers was finding and keeping well-trained employees. " We've found most qualified mechanics go south because wages are higher and work is year-round," said Magnuson. Plains dealers are forced to make an extra effort to keep their best employees.

Joann Austin, general manager of Smithville Marine in Smithville, MO, tries to guarantee her employees a base salary year-round on which they can afford to live. Another dealer claims to pay his employees more than anyone else.

Jim Jensen, owner of Okoboji Boats in Okoboji, IA, and a Century dealer for 45 years, considers himself lucky. "We keep our employees on eight to nine months a year," he said. "And most of our mechanics have been with us seven, or eight years. They've been to other places and have decided to settle here."

Not all marine dealers close up shop for the winter. Some cultivate other businesses. One marine dealer



in Kansas keeps an auto and electric motor repair shop in addition to his marine and camping business. He explained, "We could not survive here as just a marine business."

Some retailers expound the advantages of being a dealer in the Plains. Ken Lambton, Sportboats USA, Niza, MO, said, "I think we have advantages over other dealers. There is no salt water; it's all fresh water here. This is heavy bass boat country so we handle a lot of smaller

Plains dealers must approach the market aggressively to entice customers from farther away than urban dealers.

units, like 15 to 20 ft boats." Lambton, who sells mostly high-performance bass boats, went on to explain that since the economy in his area is not heavily dependent on farming, the economy is stable. Unemployment is down and financing is relatively easy. "In fact," he said, "the economy is the best I've seen during my ten years in the business." Lambton explained that much of his business is derived from factory recommendations. "Consumers call the boat companies and the builders suggest they call us," he said.

While qualified boat buyers range from young couples and families to older retired and repeat buyers, only 31% of those who buy boats are first time buyers. According to Great Plains dealers, the way to attract and keep customers is not through price but through reliable service and quality. Not surprisingly, more than 75% of the dealers who responded to the survey also named quality of construction as their most important consideration when choosing a new line. Boaters who have such a short season need their boats serviced immediately. As Jensen in Okoboji explained, "Service is very important since we have a lot of return customers." Jensen's dealership is located in a resort area. Most of his customers have sum-

(continued on page 234)

CLOSEUP

Service is the Only Way

Doug Dunker's time is divided unevenly between operating Dunker's Marine in Battle Lake, MN, from April to November, and the rest of the year when he's keeping back the jungle in Hawaii by tramping around golf courses. Battle Lake is in Ottertail County, an answer to the trivia question, "What county in the United States (including Alaska) has the most lakes and how many does it have?" Ottertail County, with 1,100 registered lakes, is the correct answer.

These lakes attract a lot of attention from local and outside fishermen and waterskiiers. Dunker says "the majority of our customers are looking for something that is a double-threat boat. They don't wish to make a large investment for a waterski boat, if they have kids, and then in turn buy a fishing boat. They want something they can use for both. This is where our electric bow-mounted trolling motors come in great. Our popular fishing boat here is Alumacraft. We rig those out with from 40 horse to 70 horse to 90 horses and then maybe put a bow-mounted trolling motor on them. They can use the 70s and 90s for water skiing and also for fishing."

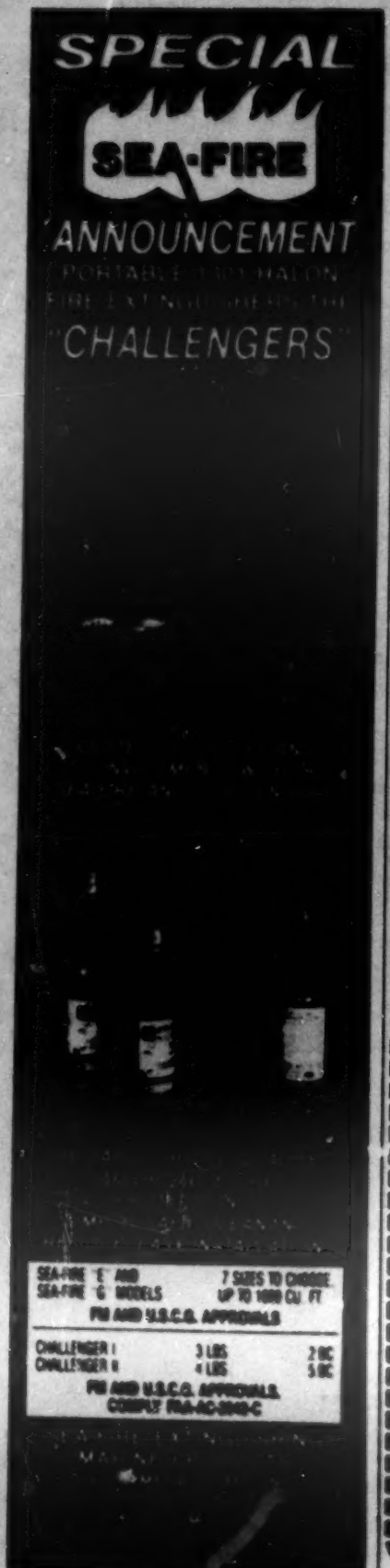
One of the reasons vacationers return to the lakes of Ottertail County from Kansas, Iowa, Oklahoma, Indiana, Illinois and Nebraska is that they've heard about them on Dunker's five-times-a-week radio shows, and perhaps heard their own record catches mentioned. Dunker phones these five to eight minute spots into two radio stations which record them for broadcasting later in the day. "It keeps our name in front of the public too," Dunker points out, "which doesn't hurt business any."

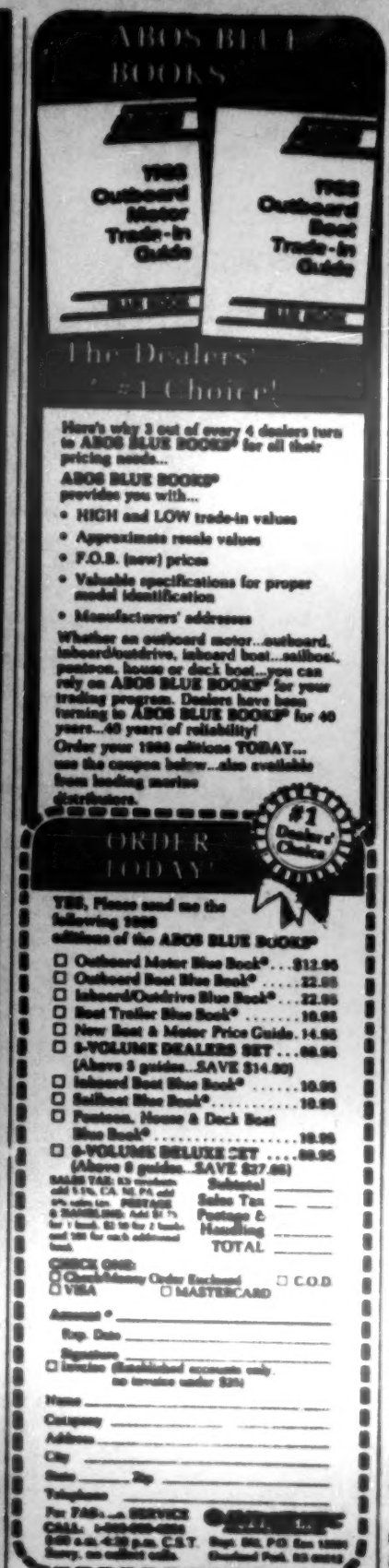
But service is what keeps them coming back to Dunker's Marine. Repairs are about 35-40% of Dunker's gross. These repairs are done by a permanent staff, meaning, when Dunker Marine closes for the winter and the boss is off jungle stomping, his people are still being paid through the rest of the year. The fact that the youngest man on his staff has been with him since 1972 shows that this and other policies make for a loyal staff. And the loyalty goes both ways. Dunker says "If I didn't have these sharp people in my shops to maintain what we sell I wouldn't be here. In fact, if I lost them, the first thing I'd do is throw a chain around the gate and call the auctioneer."

Dunker retired from the Air Force in 1968 and took over his father's marine dealership and franchises and within 48 days of his retirement had new buildings built, had stock, and has been busy ever since. He feels that his military training has helped him foster a cooperative attitude among his staff and has given him a respect for proper training. "They go to school every year: Evinrude service school, Mercruiser inboard/outboard schools, service seminars. We keep the service shop up-to-date with the current tools, test equipment, and technical data."

The final service lesson is, "I've bought out eight marine dealers since I've been in business and all of them, with the exception of one, went down the tube because they didn't have adequate people to service what they sold. In this particular area where we've got a whole flock of conservative Norwegians and hard-headed Dutchmen, you better be able to repair something when it gets broke or you won't be able to stay in business." □

John R. Burger

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GREAT PLAINS

continued from page 77

mered there for years. Competition is fierce because five dealers have set up within a five mile radius.

It's not surprising then that the marine service business is experiencing an upswing because those who can't afford new boats are looking to buy used models. "Blue collar workers are buying twenty year-old boats," explained one Kansas dealer. "The repair business is going well but that also causes problems since some parts are obsolete."

Great Plains dealers have reported an excellent year so far. Some have even called 1987 their best year ever. One dealer went so far as to say he is breaking his own sales records every day. Increases in sales are attributed to improved economic conditions such as lower interest rates and better agricultural conditions, as well as upgraded management principles. More experience in the marine business, a better sales force, and aggressive promotional efforts are just three reasons given for improved sales. One dealer suggested that the buying public is accepting the economic restraints of today and is learning to work with it.

Almost in defiance of the many problems they face, 82% of the dealers surveyed are looking forward to a bright future, expecting their markets to prosper during the next few years. Some expect increases of 20 to 30% in the next few years. Only eleven percent are pessimistic, most of whom are already experiencing declines in sales.

The dealers in the Plains will continue to face hardships caused by unchanging geographic conditions and by fluctuating economic conditions. So much depends on agriculture, but with the recent national coverage of the farmers' plight, those involved are optimistic. Local industry, the other determining factor, is also going through difficult times, with sizable companies like John Deere and International Harvester closing their factory doors. In some areas, railroad mergers are resulting in small business failures.

The determination to make their businesses work has created a unique breed of innovative dealers in the Plains. And, if any group can succeed against all odds, these marine dealers can. ☐

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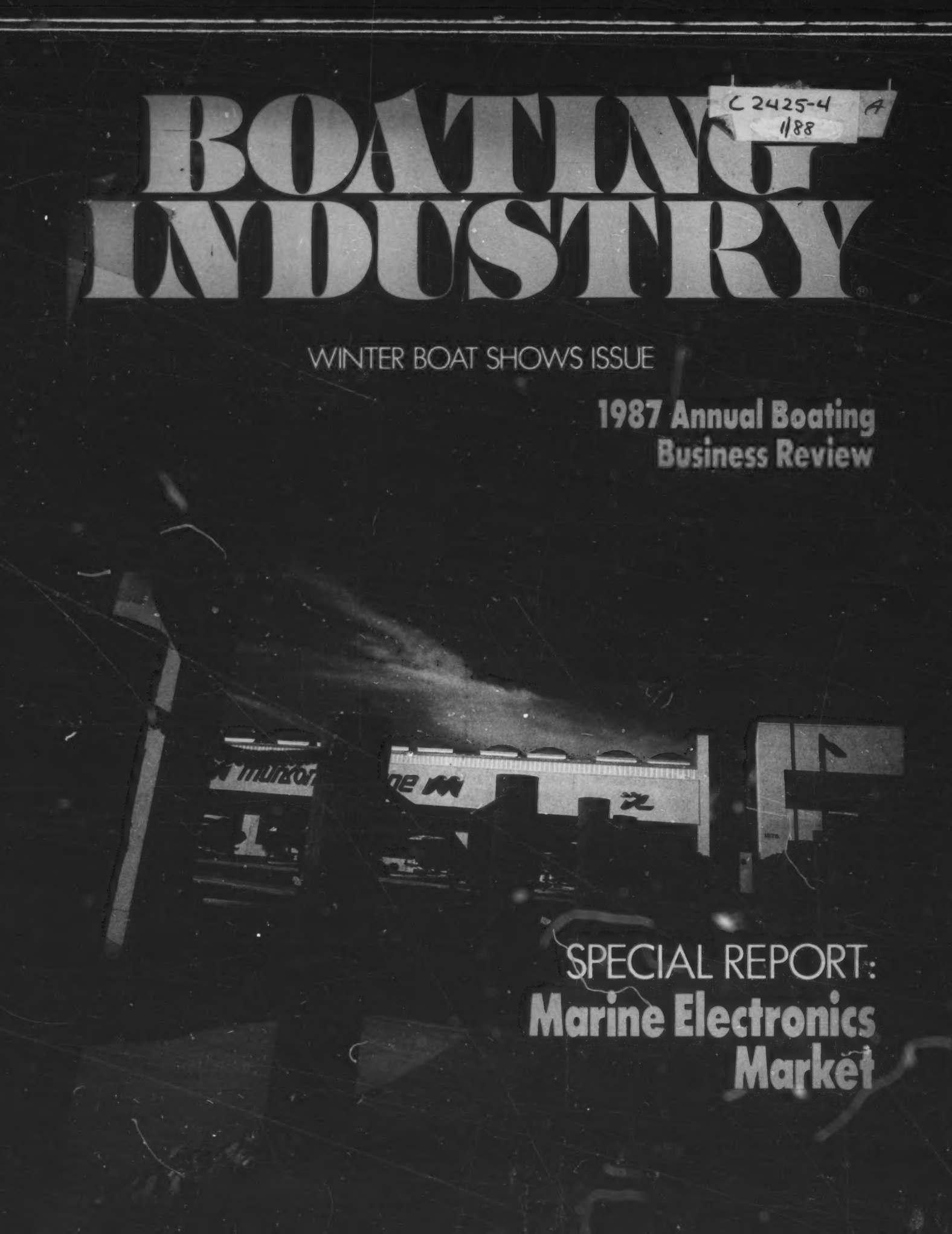
BOATING INDUSTRY

WINTER BOAT SHOWS ISSUE

1987 Annual Boating Business Review



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CONTENTS VOLUME 51 NUMBER 1 JANUARY 1988

BOATING INDUSTRY

FEATURES

The Boating Business: 1987
A statistical report on the market accomplishments recorded by recreational boating in the past year, based on the most current data available from trade associations and recognized authorities. 33

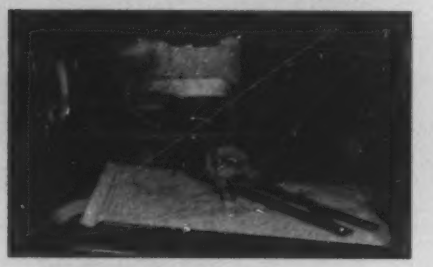
Facility Combines Aesthetics, Function
Munson Marine has built a spacious facility with plenty of room for storage and for growth. The impressive, award-winning design of the suburban Illinois complex is geared to building store traffic. 56

Retail Forecast: Economic Clouds on the Horizon?
Is a recession around the corner? No one knows for sure, but what is certain is that the economy moves in cycles, and the current expansion by all past standards has been exceedingly long. Make sure your dealership is ready to weather anything that might come its way. 60

Flat Rate Vs. Salary: What Makes Sense?
As the service departments of many dealerships expand, the owners are concerned about their apparent losses and inefficiency in this area. Predictably, many marine managers are weighing the merits of flat rate versus a salary system for their service departments. 63

Seven Steps to Success
In today's retail world, your sales staff is the key to increasing sales and bottom line profits. This is the first in a series of articles designed to give your dealership's sales staff a system of selling. 65

Strong Market, Competition Seen by Manufacturers
Manufacturers of marine electronics continue to see a strong market in '88, although the playing field has become considerably more crowded and the weak U.S. dollar has forced some to raise prices. 66



High Tech Leaps Full Speed Ahead!
Manufacturers of navigational equipment see total integration of electronics, improved video displays and computerized charting as major advancements for the marine industry. 72

Marine Electronics Distribution Angles
Ever-spiraling sales quotas from suppliers in the Far East are eroding prices and cutting into margins. This has led to multi-channel distribution of like products under different brands. 76

The 1988 Electronics Lineup
Browser's delight or buyer's nightmare? This year, the marine dealer may feel slightly overwhelmed by the incredible array of electronics wizardry available on the market. 78

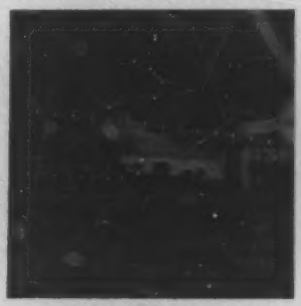
DEPARTMENTS

Editorial
Moving On Up 11

Reports
Marine Business News 1
Page Six 6
Newswatch 17
Washington 24
Corporate Moves 20
Boat Shows 50

Departments
Letters 8
Financial Digest 22
International 26
People 21
Sales & Marketing 28
Retailing 30
Distribution 32
Calendar 51
Coastline 52
Literature 95
Products 96
Classified 101

Columns
Selling 53
Law 54



Cover

Munson Marine exemplifies the planning and care that goes into the design of a world-class marine retail facility.
PHOTO: BOUNDAS

Average Length of Outboard Boats Remains Moored at Sixteen Feet

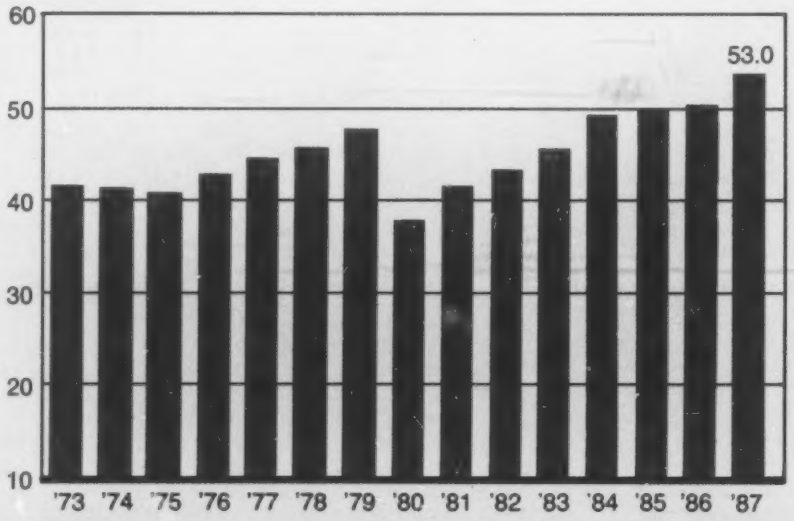
AVERAGE LENGTH

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
15.1 FEET	16.3 FEET	15.8 FEET	15.8 FEET	15.8 FEET	15.8 FEET	16.0 FEET	16.0 FEET	16.0 FEET	16.0 FEET

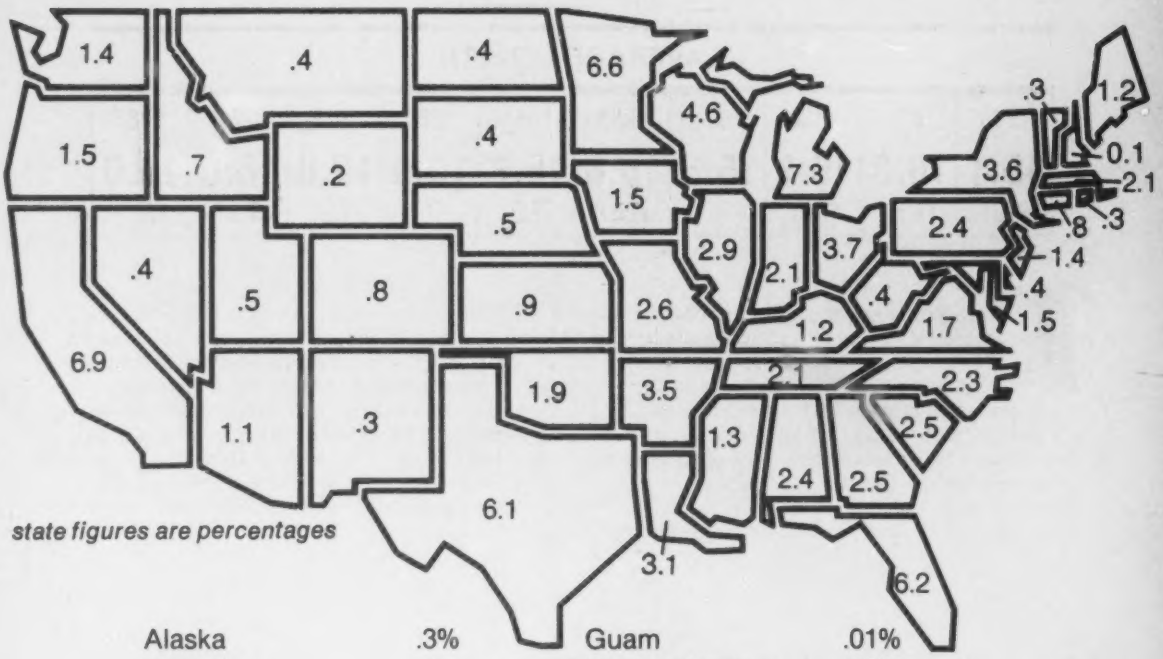
The average length of outboard boats marketed in the United States remained at 16.0 ft for the fourth year in a row. The fact that an ever-growing number of stock boatbuilders are embracing the marketing philosophy which advocates packaging a boat, motor and trailer for the new boat buyer, is breathing staying power into the entry level market. The rash of acquisitions and mergers that have occurred in the past year, have enabled many boatbuilders to become more efficient marketers and stronger competitors in the marketplace. Armed with enhanced purchasing power, new budgets, and a stronger support system, builders are pulling out all stops to romance the affluent baby boomers and convince them that pleasureboating is an extension of their lifestyle. The promotional efforts of individual builders to broaden boating's customer base are being reinforced by a nationwide promotional compaign sponsored by the National Marine Manufacturers Association.

Outboard Motor Horsepower Spirals Upward

In 1987 the average horsepower of outboard motors sold hit the 53.0 mark. This marks the seventh consecutive year in which average horsepower ratings have edged upward, and represents the biggest jump since 1984. The trend is in keeping with the performance orientation of today's boating customer, and the increasing power demands of watersports and fishing activities.



Distribution of 9,876,197 Registered Boats by State



state figures are percentages

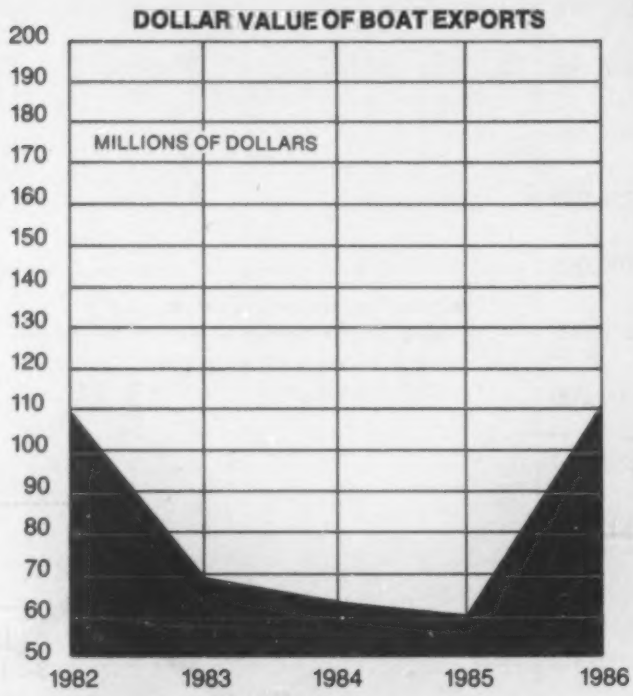
Alaska	.3%	Guam	.01%
Hawaii	.1%	Virgin Islands	.03%
Puerto Rico	.2%	American Samoa	.00%
District of Columbia	.03%	Northern Marianas	.01%

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—477,509 REGISTERED BOATS 4.83% OF U.S. TOTAL										
Connecticut	3,212.0	81,485	0.83%	39.4	147	618	16,182	33,723	1,170.6	842.4
Maine	1,182.4	115,440	1.17%	10.2	2,270	3,473	10,699	21,695	436.9	236.3
Massachusetts	5,876.0	210,407	2.13%	27.9	460	1,519	14.423	28,977	2,190.4	1,437.0
New Hampshire	1,025.1	9,597	0.10%	106.8	286	131	13,366	28,338	379.9	251.5
Rhode Island	980.5	28,000	0.28%	35.0	158	384	12,721	25,936	359.0	220.7
Vermont	544.0	32,580	0.33%	16.7	341	—	10,585	21,447	202.1	108.5
MIDDLE ATLANTIC—1,826,609 REGISTERED BOATS 18.50% OF U.S. TOTAL										
Delaware	630.1	42,831	0.43%	14.7	112	381	12,673	26,477	225.6	140.7
Dist. of Columbia	620.0	3,242	0.03%	191.2	—	—	16,127	24,753	252.9	51.6
Georgia	6,124.0	248,479	2.52%	24.6	854	2,344	11,118	23,495	2,181.9	1,247.2
Maryland	4,486.3	150,858	1.53%	29.7	623	3,190	13,735	30,687	1,619.7	1,114.9
New Jersey	7,687.3	141,655	1.43%	54.3	319	1,792	15,101	31,273	2,804.8	1,915.2
New York	17,979.6	358,400	3.63%	50.2	1,731	1,850	14,010	26,550	6,721.2	4,137.9
North Carolina	6,386.6	229,758	2.33%	27.8	3,826	3,375	10,484	21,141	2,344.6	1,235.3
Pennsylvania	11,953.5	236.455	2.39%	50.6	420	89	11,868	23,968	4,496.3	2,624.3
South Carolina	3,436.4	249,113	2.52%	13.8	909	2,876	9,680	20,419	1,225.9	625.0
Virginia	5,845.1	165,818	1.68%	35.3	1,063	3,315	12,826	27,757	2,065.4	1,334.5

'86 Exports Soar in Dollar Value

The export market for American boats and boating products soared in 1986; posting its best year since 1982 — $111 million; or 83% more than in 1985. A plummeting dollar working hand in hand with a revitalized demand for products manufactured in the United States gladdened the hearts of export agents across the nation. This sector had been in decline for the past five years, although losses had continued to diminish percentagewise in the last two years.

In terms of dollar volume, the leading market for boats and boating products made in the USA were: Canada ($24.6M); Singapore ($8.3M); Japan ($7.9M); France ($5.8M); Netherlands ($5.8M); West Germany ($5.4M); Italy ($4.6M); Bahamas ($2.8M); Switzerland ($2.6M); and United Kingdom ($2.5M).



DOLLAR VALUE OF BOAT EXPORTS

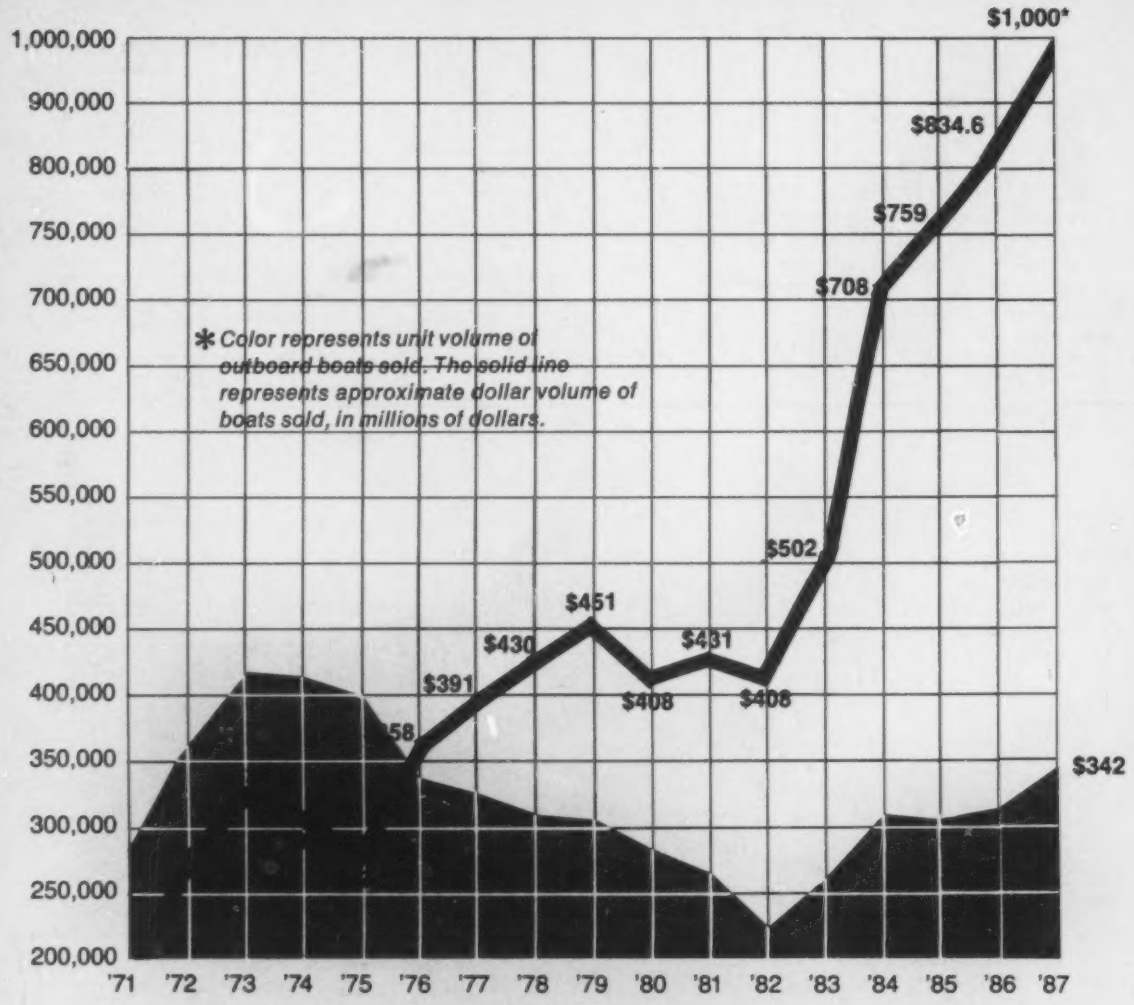
Year	Value	%Change
1986	$110,960,000	+83.1
1985	$ 60,596,000	−7.1
1984	$ 65,249,000	−8.8
1983	$ 71,537,000	−37
1982	$113,661,000	−21.7
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 88,724,112	+13.2
1977	$ 77,963,753	+4.8

BEST EXPORT MARKETS

American producers of boats and boating products found the markets listed below to be the most lucrative for their output.

Canada	West Germany
Singapore	Italy
Japan	Bahamas
France	Switzerland
Netherlands	United Kingdom

Outboard Boat Sales Reach Billion Dollar Mark



The year 1987 marked the continuation of an exceptionally healthy market for outboard boats. A record $1 billion in sales and a ten-year high in units sold — 342,000 — culminated twelve months of record profits for the nation's producers of outboard boats.

The 19.8% increase in dollars and 8.9% rise in unit sales has been powered by aggressive marketing tactics on the part of boatbuilders who are taking increasingly bold steps to secure market share, and to reinforce their customer base. In addition to the accommodating market and bold market strategies, the demand for output is being fueled by the ever-growing strength of the fishing market. The sport now occupies second place in recreational sport surveys, right after swimming. An estimated 44 million people go fishing every year across the United States, and it is widely held that two-thirds of the people who buy boats buy them for the principal purpose of going fishing.

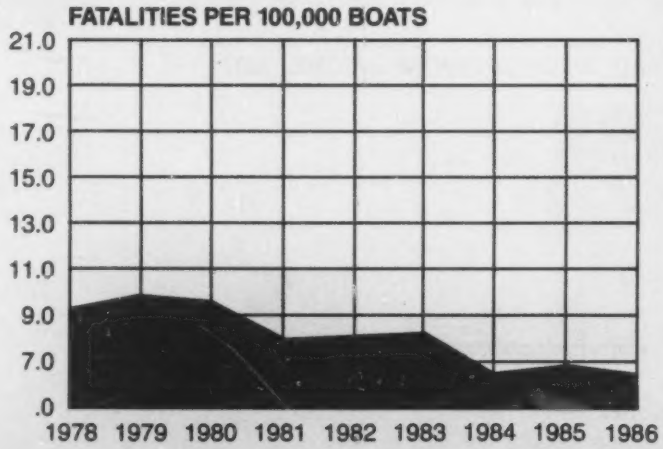
Accidents Edge Upward in 1986

In 1986 the number of boating accidents reported to the Coast Guard rose slightly to 6,047, a 2.8% increase over 1985. This represented an improvement over the 9.6% rise reported in 1985. According to the U.S. Coast Guard, the most frequent type of boating accident is collision-related, followed by capsizing and falls overboard.

1983	1984	1985	1986	
5,569	5,700	6,237	6,407	boating accidents reported to the Coast Guard
7,344	7,510	8,305	8,399	boats involved in accidents reported to the Coast Guard
1,241	1,063	1,116	1,066	lives lost in boating accidents reported to the Coast Guard
2,913	2,709	2,757	2,847	persons injured non-fatally in boating accidents reported to the Coast Guard

Fatalities Decline: Death Rate Per 100,000 Boats is 6.5

The fatality rate per 100,000 boats declined in 1986 to 6.5, almost matching the low point reached in 1984 of 6.4. It is widely held that the stepped-up public awareness programs related to alcohol and boating as well as other boating safety campaigns have been instrumental in bettering the industry's safety record. With the advent of mandatory boating safety education on the horizon, these figures should continue to improve.



The Average Dealer, 1987

The entry of motormakers into the boat manufacturing side of the industry dominated as a topic of discussion among dealers in 1987. Questions were raised about how these crossovers in product lines would affect dealer franchises and long-standing loyalties. The trend toward packaging boats, motors, and trailers—while definitely a terrific boon to entry-level sales, created a host of service problems for some dealers who viewed pre-rigging as a mixed blessing.

Legal issues also weighed heavily on the minds of dealers in 1987. Dealers found themselves still contending with the issue of product liability. A number of states, however, have action pending on this issue, and several others have passed some reform measures. And so, it appears the situation has eased for some boat dealers, but only on a spotty basis.

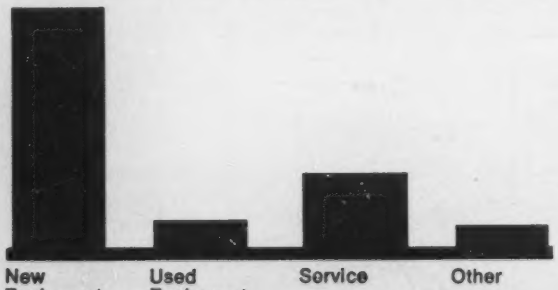
A landmark decision by the state of Maryland commanded the attention of all marine retailers. The state passed a law requiring boating safety education for boat operators. Other states are giving serious consideration to following Maryland's example, and it is the general consensus that in the near future many states will have similar mandates on their books. Without a doubt, the retailer will have come to grips with the fact that their promotional efforts and selling techniques in the showroom will have to be revamped in order to minimize any negative impact generated by the educational stipulations that will be in place.

The average retailer enjoyed an excellent selling season; however, those dealers located in areas of the country still plagued by unemployment faced an uphill struggle. Dealer buying activity was especially heavy this past year; '88 product was snapped up at the dealer meetings, and by late fall, there was very little '87 product in the pipeline. Manufacturers, in turn, added more models to their lines, and many made a concerted effort to enhance their manufacturing and marketing operations. Consequently, many retailers enjoyed improved delivery dates and uprated support services.

Dealers continue to feel the pressure from mail order companies, especially in the area of marine electronics; a key profitmaking accessory. The dealer's plight has been complicated by a glut in certain types of electronic equipment, and the difficult task of offering their customers the lowest prices on marine electronics. On a brighter note, marine electronics dealers faced less competition with high ticket items, such as radar, satnav, and plotters which require hands-on service.

1988 holds great challenge for the marine retailers of America; however, they have never been as well prepared as they are today.

SOURCES OF GROSS INCOME, 1987



Marinas and Boatyards, 1987

1987 was a good year for the marina industry. Income and profits were significantly higher for many, largely due to slip and storage rates up 30–50%. Boatyard labor rates went up modestly, while service demand was way up. The number of marinas offer full service repairs slid down. Labor shortages were widespread and higher than normal. Transient business was excellent.

Modernization of older marinas is well underway and will increase in the next decade. Owners are buying, vs building, replacement dock systems...good news for marina manufacturers and boat owners. Dockage quality is improving. Dry stack storage offers high potential for marina expansion.

Dredging continues to be a major permit hurdle; cost of getting permits can exceed the actual cost of small projects. Three inch thick environmental impact reports for new marina projects have been needed to convince agencies and public that boating is not bad for the environment.

Dockominium conversion profit taking reached into most coastal and Great Lakes states, and even had its own national conference last August. Public agencies are dubious about allowing water surface to be sold off in small slip size pieces. Several states are considering anti-dockc legislation. Watch out for astronomical property tax increases on docko slips, and maybe all marinas.

Over 8,400 marinas, boatyards, yacht clubs and other boating facilities were surveyed for the first time nationwide in 1987. This joint NMMA, Sea Grant and International Marina Institute study shows a robust, dynamic, changing marina industry which accounts for half the income into the boating industry.

The Water Ski Market

PEOPLE: 13,158,000 persons participated in water skiing at least once during 1987.

WATER SKI SALES: In 1987, 438,553 water skis of all types were sold as compared to 371,875 units in 1986. This represents a gain of 18.1% over the previous year. Total dollar sales at the wholesale level in 1987 reached $40,633,000, an increase of 40.4% over 1986 sales which totaled $28,950,000.

WATER SKI BOATS: In 1987 sales of water ski boats totaled $89,089,000, an increase of 27.1% over 1986 sales which totaled $70,061,000.

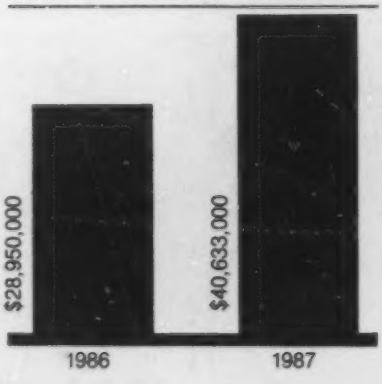
WATER SKI ACCESSORIES: Sales of water ski accessories at the wholesale level in 1987 totaled $63,311,000 in comparison to 1986 sales of $60,475,000. This represents an increase of 4.6%.

1987 SKI ACCESSORY SALES BY TYPE:

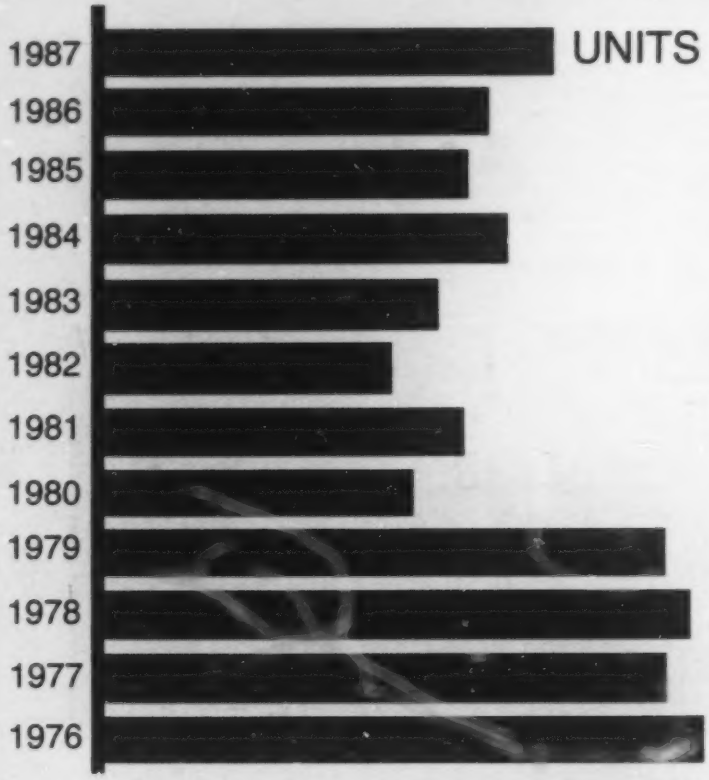
$8,450,000 All Vests (+ .2%)
4,283,000 Rope (+ 2.1%)
122,000 Wetsuits (- 34%)
3,490,000 Kneeboards (- 10%)
4,739,000 All Other (+ 48%)

Figures tabulated from several sources, including the Water Ski Industry Association, North Palm Beach, Fla.

DOLLAR SALES OF WATER SKIS

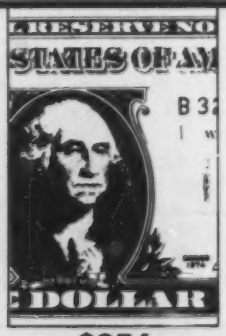


Trailer Market in Fast Lane



The strong surge in powerboat buying activity finally freed trailer marketers from the doldrums where sales had been steadfastly flat for the past three years. Trailer manufacturers marketed 216,000 units in 1987, the best showing since 1979 when 276,000 were sold. Sales in '87 represented a unit increase of 11.3%; average retail prices only rose 2.2% compared to an 8% increase in '86. Increased marketing efficiency by boatbuilders and the wide proliferation of boat package sales have played a key role in the heightened demand for trailers. Also influencing demand in the marketplace are shrinking coastlines, as well as a chronic shortage of slips in many boating communities. The preferential treatment often accorded owners of the bigger powerboats and yachts at marinas, as well as the rapidly escalating slip rates, also serve to encourage boat trailering.

TOTAL SALES

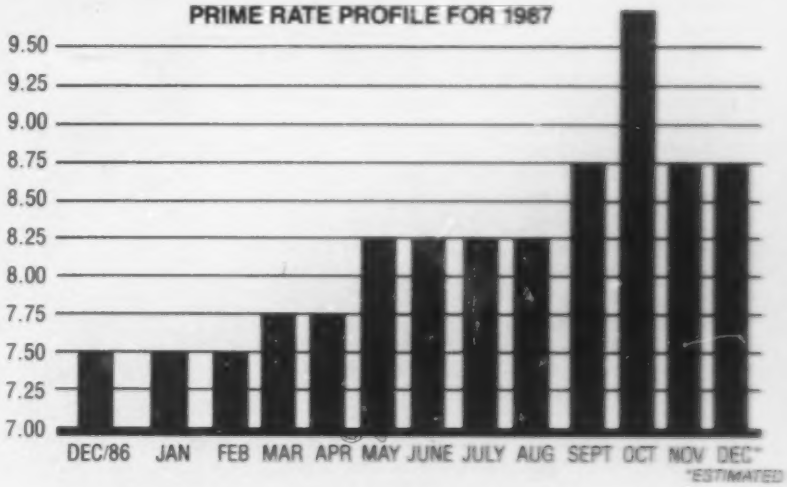
$146,800,000	$151,680,000	$165,676,000	$188,568,000
			
$734	$790	$854	$873
1984	1985	1986	1987

AVERAGE RETAIL COST

Financial Marketplace

Financiers are parlaying in-house agreements between operating units, absorbing competitors, or simply widening geographic penetration to attract more boat loan business. These actions have extended a wide choice of consumer finance programs to all corners of the country and increased floorplan lines and funds for marine dealers. In a related development, direct ties between boatbuilders and major money marketers have been forged, resulting in customized lending programs. While the spotlight has been focused on arrangements between large volume builders and the automakers' finance captives, ties have also been established between other boat producers and national finance subsidiaries of major commercial banks, regional bank networks and even local independent banks and savings institutions. Concurrently, specialized companies which lend exclusively to the marine sector are broadening their reach into new service areas. Based upon marine portfolios which exceeded $3.5 billion in the 1986 calendar year, marine loan volume increased 56%, while total consumer loan volume rose by 15% in comparison to 1985.

Source:
National Marine Bankers Association



Accessories Market Hot!

The accessories market continues to ride high on the industry's wave of prosperity. In 1987, consumers spent an estimated $1,158,400,000 on marine accessories, an increase of 17% over 1986 sales which totaled $990,100,000. Two primary reasons for the healthy sales picture are the heavy consumer purchases of powerboats, and the renewed appeal of domestic products as a consequence of rising prices for imports. There has been good, solid growth in the aftermarket; however, this has been eclipsed by the volume of OEM business. Many accessory manufacturers have overhauled their market plans, consolidating distribution of their products in the hands of fewer but bigger outlets to reduce the cost of doing business. Manufacturers are also finding it effective, and profitable, to conduct factory promotions directly to the aftermarket, while working with distributors and dealers to harvest the sales leads under co-op arrangements. The general strengthening of the marketplace now affords accessory producers the opportunity to broaden their product line, which multiplies marketing opportunities that often translate into greater profits and more generous allocations for research and development.

Sailboat Market Becalmed

Despite high expectations, the sail industry failed to rally in 1987. Sales of non-powered sailboats overall dipped 11.4% while sales activity in the auxiliary-powered sector under 30 ft remained flat. Only the bigger yachts — auxiliary-powered craft over 30 ft — showed any gain. Even here, unit sales rose by only .3%. Dollars, however, increased by 12.8% in this sector as a consequence of price increases and buying activity of the bigger, more expensive craft. A number of sailboat producers threw in the towel in '87, dropping out of the market altogether, or regrouping their resources and targeting the lucrative power market. On the other hand, those builders that have elected to stay in the sailboat market remain bullish about the future, and are pursuing the market with revamped pricing, promotion, product, and distribution strategies. Two favorable factors influencing the sail market are the 35-50-year-old buying group (often two income families that can afford high-end sailboats) and the promotional opportunities created by the America's Cup which has generated enthusiasm and a general awareness of the sport. One other plus is the weakening of the dollar which has made sailboat imports more expensive and spurred consumers to take a second look at the re-designed American offerings. Critical to the long-term health of the industry is greater public exposure to attract newcomers to the sport.

	1985	1986	1987
NON-POWERED SAILBOATS, ALL SIZES*			
Total units sold	34,000	33,300	29,500
Retail value	$115,430,000	$88,415,000	$75,815,000
Average retail unit cost	$3,395	$2,655	$2,570
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total units sold	1,100	1,100	1,100
Retail value	$37,335,000	$40,651,000	$39,329,400
Average retail unit cost	$33,941	$36,956	$35,754
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
Total units sold	2,700	2,800	2,900
Retail value	$217,620,000	$236,880,000	$267,171,000
Average retail unit cost	$80,600	$84,600	$92,128

*DOES NOT INCLUDE SAILBOARDS

An Overview of 1987 Boating Highlights

1987 turned out to be another record-setter for the boating industry. For the fifth consecutive year, recreational boating scored significant gains in almost all product sectors, with the biggest rebound taking place in the export market. The power side of the industry continued as the dominant factor in the market's strong drive. Both engine producers and the leading boatbuilders reinforced their niches in the marketplace, and deployed their resources as needed to reach well defined objectives. Vertical integration seemed to be a favored marketing strategy among industry leaders, and a rash of acquisitions and mergers took place throughout the year. Whereas in the past many of these takeovers were primarily aimed at controlling sources of raw materials, in the last few years the aim has been to control markets for the parent company's output. Changes in top level management in terms of human resources as well as the functions of key people in executive posts have been plentiful and have left many in a confused state as to how these corporate shuffles impact on their retail operations.

Despite the debacle in the stock market at year end, fundamental economic factors augur a good future in the coming year. For the moment our supply of oil has not been affected by the frequent skirmishes in the Middle East, marine portfolios are deemed to be desirable by the banking community, interest rates have not skyrocketed, and the demographics of consumers representing our best prospects are in tune with the makeup of the country's population. Despite dire predictions and frequent scares, Capitol Hill has not burdened us with oppressive legislation, and apparently the only real setback to industry lobbyists was the passage of a mandatory boating safety education law in the state of Maryland.

A LOOK AT OTHER HAPPENINGS IN THE WORLD OF BOATING

- Outboard Marine Corporation announced its intent to open a chain of retail stores called Top of the Dock to market Four Winns boats, Evinrude and Johnson outboards, as well as general boating merchandise in select shopping malls around the country. The venture is described as a cooperative effort between the Waukegan, Illinois conglomerate and the Four Winns dealer network.
- In an unprecedented move, the U.S. Yacht Racing Union elected to lend its prestige to select professional sailing events in 1988. USYRU will receive a fee for its support of these events, and will set up a separate arm to deal with the new profit center.
- Seven boatbuilders formed the first stock boat buying cooperative—Marine Buyers Associates, Inc., based in Greenville, NC. The object of the alliance was to qualify for volume discounts in their purchases of engines, boatbuilding materials, etc., and thus strengthen their competitive position in the industry, which has been weakened by vertical integrated companies.
- The State of Maryland passed a mandatory boating safety education law, opening the floodgates for other states to follow suit in the months to come. A model law was drafted and approved by the National Association of Boating Law Administrators; however, its provisions have run into opposition from influential groups.

- Genmar added its fifth boatbuilder to the marine group, Glaston-Conroy Ltd. based in New Braunfels, TX. The runabout company joins Wellcraft, Hatteras Yachts, Larson Boats and Lund Boats in the Genmar stable. Meanwhile, Genmar chairman Irwin Jacobs is efficiently buying up OMC stock which leads industry observers to start placing bets on what the next earth-shattering news will be.
- Outboard Marine Corporation embellished its holdings in the boatbuilding sector by adding Bramco, Inc., builders of Seaswirl boats in Culver, OR. The other builders on the OMC team are: Four Winns Inc., Lowe Industries, Stratos Boat Co. and Sunbird Boat Co.
- *Boating Industry Magazine* was sold to Communication Channels, Inc., an Atlanta-based publishing company. CBS sold both *Boating Magazine* and *Yachting* to CBS Magazines president Peter Diamandis, who two weeks later sold *Yachting Magazine* to the Times Mirror Co.
- New Zealand's Michael Fay caused an uproar in American boating circles by winning a court decision in New York State that would permit him to make a bid for the America's Cup in a yacht of his own choice. Fay will bring a maxi boat to the races, disrupting the twelve-meter yacht tradition that has been in place since 1958.

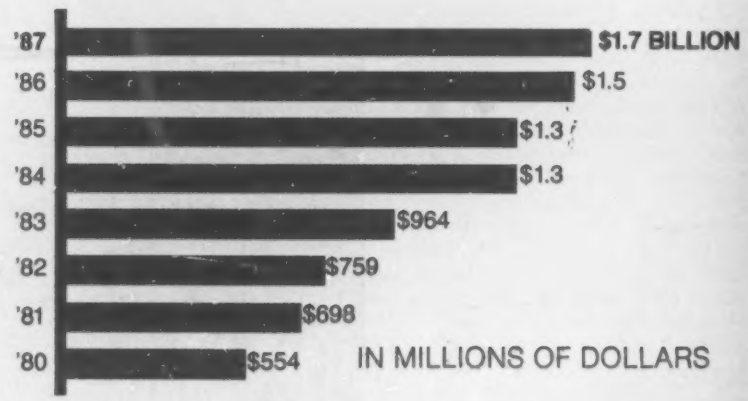
Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats

IN DOLLARS AND UNITS

	1984	1985	1986	1987
$3,887 AVERAGE RETAIL COST OF 1987 OUTBOARD MOTOR				
Total units sold	411,000	392,000	410,000	444,000
Retail value	$1,293,828,000	$1,319,080,000	$1,463,700,000	$1,725,828,000
Average value	$3,148	$3,365	$3,570	$3,887
$2,927 AVERAGE RETAIL COST OF 1987 OUTBOARD BOAT				
Total units sold	317,000	305,000	314,000	342,000
Retail value	$708,178,000	$759,450,000	$834,600,000	$1,001,003,000
Average value	$2,234	$2,490	$2,658	$2,927
$17,015 AVERAGE RETAIL COST OF 1987 INBOARD/OUTDRIVE BOAT				
Total units sold	108,000	115,000	120,000	144,000
Retail value	$1,442,016,000	$1,663,360,000	$1,860,960,000	$2,450,160,000
Average value	$13,352	$14,464	$15,508	$17,015
$873 AVERAGE RETAIL COST OF 1987 TRAILER				
Total units sold	200,000	192,000	194,000	216,000
Retail value	$146,800,000	$151,680,000	$165,676,000	$188,568,000
Average value	$734	$790	$854	$873

Outboard Motor Sales

Unit sales of outboard motors made their strongest showing since 1984. In 1987 unit sales increased by 34,000 units, an increase of 8.3% over the previous year. Dollar gains were equally strong, with an increase of slightly over $260 million chalked up in '87; a gain of almost 18% over 1986. Price increases also jumped in '87, with the average retail value escalating 8.9%. Price increases in 1985 and 1986 only averaged 7% and 6.5% respectively. Promoting the sale of boat packages (boat, motor, and trailer) and exercising greater control over consumer markets were key marketing strategies for outboard motor manufacturers in '87.



BOATING INDUSTRY

The Boating Business

BOATING INDUSTRY's annual statistical review of the recreational marine industry's market performance in the year just past. The data presented in this report is intended to be used as a tool in decision-making and general business planning in 1988. Some figures are derived from our own nationwide surveys; other data has been supplied by the National Marine Manufacturers Association (NMMA), the U.S. Coast Guard, the U.S. Chamber of Commerce, and other reliable industry sources. In 1987, the pleasureboating industry experienced an unparalleled fifth year of consecutive growth. Industry confidence in the future remains strong.

1987

1987 Estimates of the Size of the Recreational Boating Industry

ACROSS THE COUNTRY

PEOPLE: 69,775,000 Americans participated in recreational boating in 1987, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 13,158,000 went water skiing.

BOATS: 14,835,000 pleasure craft made their way through U.S. waters. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,787,000 outboard boats owned in the U.S.

INBOARD BOATS: The 464,000 inboard boats owned include

auxiliary-powered sailboats and boats documented by the U.S. Coast Guard.

SAILBOATS: 1,229,000 sailboats without inboard power were in use in 1987 on all waters.

OPEN-DECK BOATS: An estimated 157,000 deck boats were in use.

HOUSEBOATS: 34,500 houseboats were estimated to have been in use.

INBOARD/OUTDRIVE BOATS: There were an estimated 1,208,000 inboard/outdrive boats in use at the close of 1987.

MISCELLANEOUS: An estimated 3,938,000 rowboats, canoes, dinghies, prams and other miscellaneous craft were owned at the end of 1987.

OUTBOARD MOTORS: 10,469,000 outboard motors were in use during 1987.

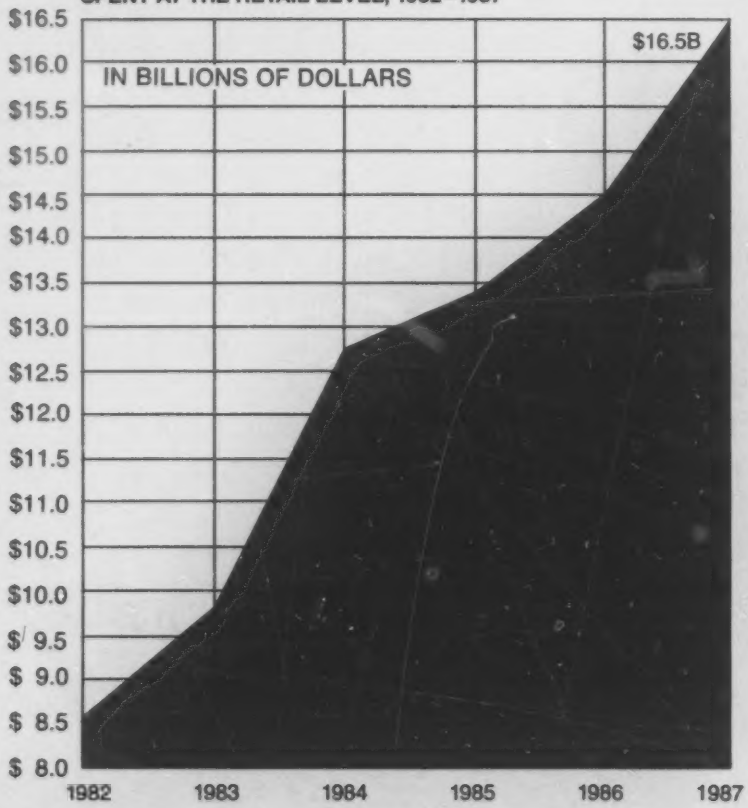
INBOARD ENGINES: Approximately 2,101,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

JET DRIVES: By the end of 1987, it is estimated that the number of jet drives in use was 99,000.

BOAT TRAILERS: Approximately 5,520,000 boat trailers were owned in 1987, including those that were both home-made and factory-produced.

MARINAS: Approximately 8,320 marinas, boatyards, yacht clubs, dockominiums, and parks served boaters in the United States during 1987.

SPENT AT THE RETAIL LEVEL, 1982–1987



1987 SALES ESTIMATES

Approximately $16,500,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs, and club memberships.

342,000 outboard boats
19,700 inboard boats
144,000 inboard/outdrive boats
22,500 pontoon boats
29,500 non-powered sailboats (excludes sailboards)
70,000 sailboards
4,000 auxiliary-powered sailboats
85,300 canoes
216,000 boat trailers
444,000 outboard motors
30,200 inflatable boats

The source of the figures in the Effective Buying Income section and Population section are from the July 1987 issue of *Sales and Marketing Management.* The figures are estimated for 12/31/86.

The source of the figures used in the Inland Water section is the U.S. Bureau of the Census, Areas of the U.S., 1980 State Area Management Print-Out.

The source of the Coastal Shoreline figures is the U.S. Oceanic and Atmospheric Administration, *the Coastline of the U.S., 1975.*

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water*	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,899,511 REGISTERED BOATS 19.23% OF U.S. TOTAL										
Alabama	4,093.1	240,100	2.43%	17.0	938	607	9,537	19,072	1,497.7	717.7
Florida	11,740.6	613,532	6.21%	19.1	4,511	5,095	12,114	22,260	4,692.1	2,579.4
Louisiana	4,547.0	309,477	3.13%	14.7	3,230	7,721	9,832	20,689	1,594.3	818.8
Mississippi	2,668.4	130,573	1.32%	20.4	456	359	8,401	17,111	927.6	400.9
Texas	16,738.1	605,829	6.14%	27.6	4,790	3,359	11,657	24,272	5,944.1	3,462.1
EAST CENTRAL—968,477 REGISTERED BOATS 9.81% OF U.S. TOTAL										
Arkansas	2,404.8	343,851	3.48%	7.0	1,109	—	9,539	18,352	881.2	405.5
Kentucky	3,777.6	119,857	1.21%	31.5	740	—	9,742	19,482	1,353.5	661.1
Missouri	5,149.3	254,166	2.57%	20.3	752	—	11,521	23,084	1,890.0	1,064.1
Tennessee	4,852.5	207,409	2.10%	23.4	989	—	10,228	20,426	1,797.9	916.0
West Virginia	1,951.7	43,194	0.44%	45.2	112	—	9,231	18,615	884.7	496.0
GREAT LAKES—2,677,055 REGISTERED BOATS 27.11% OF U.S. TOTAL										
Illinois	11,663.2	287,586	2.91%	40.6	700	—	13,169	27,323	4,277.7	2,699.7
Indiana	5,571.9	203,275	2.06%	27.4	253	—	11,191	24,382	2,012.4	1,194.3
Michigan	9,222.9	716,441	7.25%	12.9	1,573	—	12,107	26,056	3,338.5	2,052.4
Minnesota	4,292.7	655,389	6.64%	6.5	4,854	—	12,346	25,470	1,585.9	962.3
Ohio	10,837.3	361,883	3.66%	29.9	325	—	11,814	24,665	4,043.9	2,406.2
Wisconsin	4,834.6	452,481	4.58%	10.7	1,727	—	11,693	24,483	1,795.4	1,068.8
*Excludes the waters of the adjacent Great Lakes. Areas listed in sq. miles: Lake Michigan (22,179), Lake Erie (5,002), Lake Superior (21,118), Lake Huron (8,975).										
WEST COAST—971,861 REGISTERED BOATS 9.84% OF U.S. TOTAL										
California	27,080.8	679,880	6.88%	39.8	2,407	3,427	14,062	28,227	9,976.6	6,409.5
Oregon	2,726.8	149,970	1.52%	18.2	889	1,410	11,048	22,306	1,048.7	578.7
Washington	4,479.3	142,011	1.44%	31.5	1,627	3,026	12,636	25,535	1,744.2	1,054.9
MIDWEST MOUNTAINS—984,847 REGISTERED BOATS 9.97% OF U.S. TOTAL										
Arizona	3,327.4	108,166	1.10%	30.8	492	—	11,414	22,948	1,270.7	716.9
Colorado	3,300.1	73,992	0.75%	44.6	496	—	12,958	26,397	1,289.0	806.7
Idaho	1,036.5	70,512	0.71%	14.7	1,153	—	9,647	21,264	355.6	188.7
Iowa	2,909.5	151,066	1.53%	19.3	309	—	11,248	21,837	1,112.8	602.4
Kansas	2,483.9	86,631	0.88%	28.7	499	—	12,887	24,603	939.9	557.4
Montana	841.6	35,398	0.36%	23.8	1,657	—	9,895	19,762	322.7	159.5
Nebraska	1,624.6	52,749	0.53%	30.8	711	—	11,728	22,446	612.5	339.1
Nevada	963.9	35,033	0.35%	27.5	667	—	12,660	25,002	393.8	237.8
New Mexico	1,494.2	31,220	0.32%	47.9	258	—	9,694	20,003	533.4	266.7
North Dakota	701.2	41,098	0.42%	17.1	1,403	—	11,705	23,915	249.4	144.9
Oklahoma	3,360.4	191,103	1.93%	17.6	1,301	—	10,759	20,814	1,270.7	658.2
South Dakota	721.1	36,396	0.37%	19.8	1,164	—	10,515	19,482	265.4	129.5
Utah	1,704.2	50,483	0.51%	33.8	2,826	—	9,116	23,862	529.1	311.8
Wyoming	512.3	21,000	0.21%	24.4	820	—	11,980	26,888	188.7	119.5
NON-CONTIGUOUS-70,598 REGISTERED BOATS 0.71% OF U.S. TOTAL										
Alaska	551.7	29,134	0.29%	18.9	20,171	31,383	14,762	32,624	190.3	130.9
Hawaii	1,077.6	14,052	0.14%	76.7	46	1,052	12,463	29,221	337.8	223.6
American Samoa	—	142	0.00%	—	—	—	—	—	—	—
Guam	—	720	0.01%	—	—	—	—	—	—	—
N. Marianas	—	640	0.01%	—	—	—	—	—	—	—
Puerto Rico	—	23,026	0.23%	—	—	—	—	—	—	—
Virgin Islands	—	2,884	0.03%	—	—	—	—	—	—	—

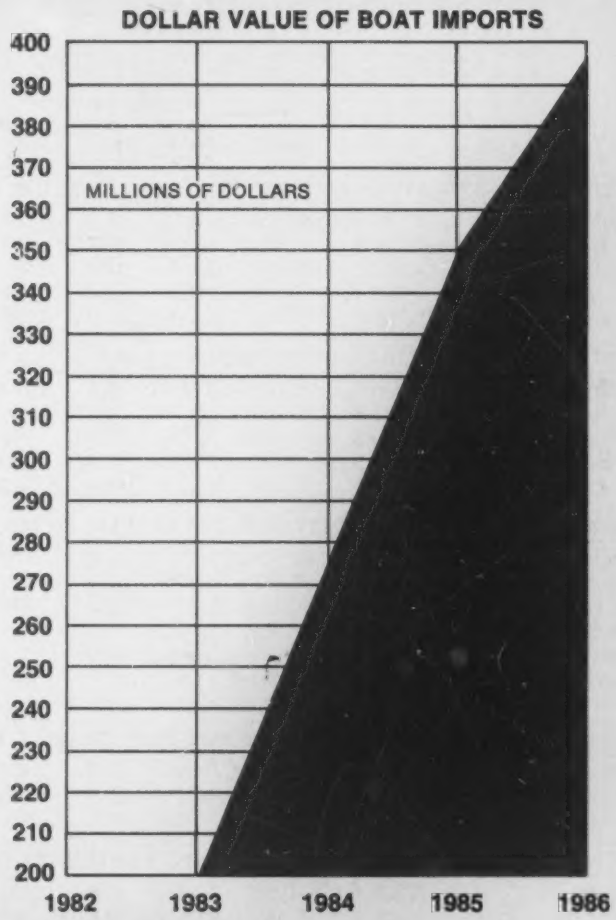
1986 Imports Show Diminishing Gain

Imports of boats and boating products into the United States continue to show diminishing gains. Imports were up only 13% in 1986 compared to increases of 42.2% and 23.6% in 1984 and 1985 respectively. The American buyer's romance with imported products has been cooled somewhat by the rising cost of imported goods, and the introduction of an extremely palatable array of U.S. made boats that sport good looks and reflect new technology.

The major boat exporters to the United States were: Taiwan ($144.9M); Canada ($37.1M); Japan ($36.7B); Italy ($32.8M); France ($27.5M); Netherlands ($24.8M); United Kingdom ($18.4M); Singapore ($15.7M); Finland ($12.6M); and Hong Kong ($11.3M).

DOLLAR VALUE OF BOAT IMPORTS

Year	Value	%Change
1986	$395,937,000	+13.0
1985	$350,485,000	+23.6
1984	$283,519,000	+42.2
1983	$199,359,000	+32
1982	$151,225,000	−8.2
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4



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MAGA

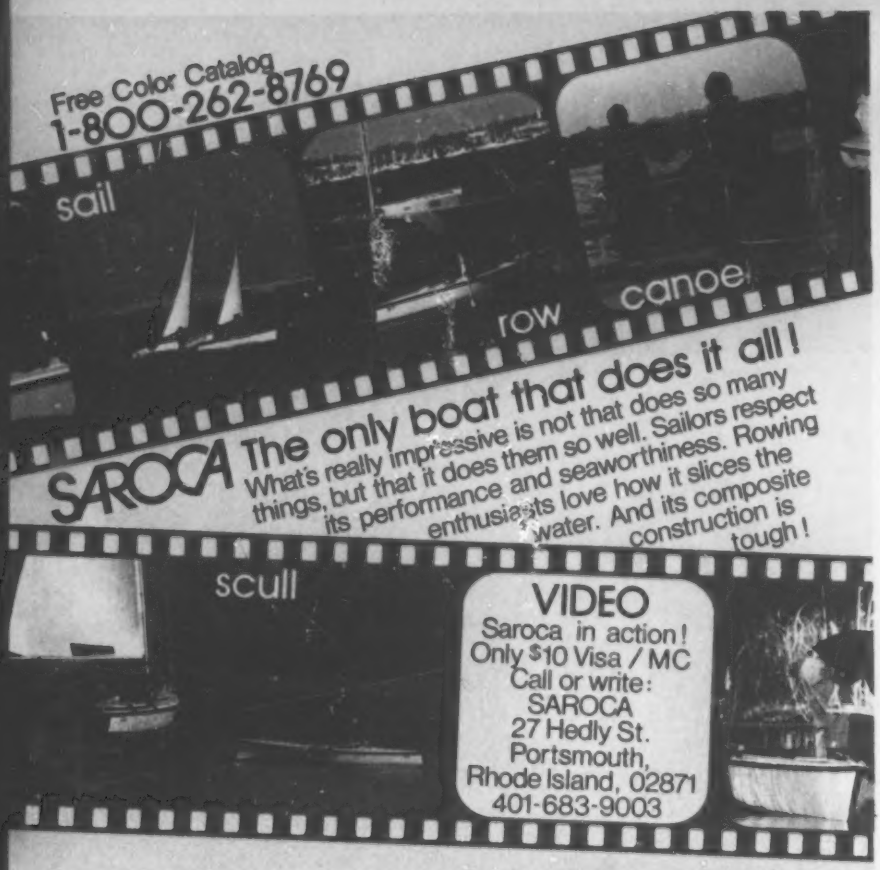
The [illegible]rene Furor:
Manufacturers vs. Legislators

[illegible] Closing the Sale

Dealers of the Southeast

Keeping an Eye on
Gross Margins

State of the Art Inflatables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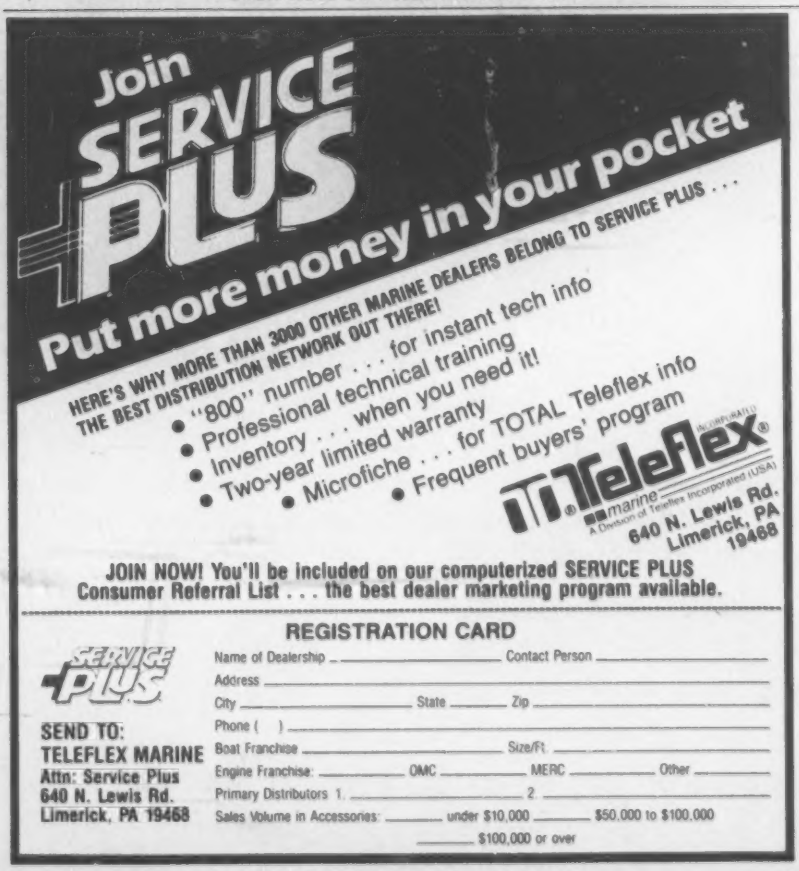
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Primary Distributors 1. _____ 2. _____
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_____ $100,000 or over

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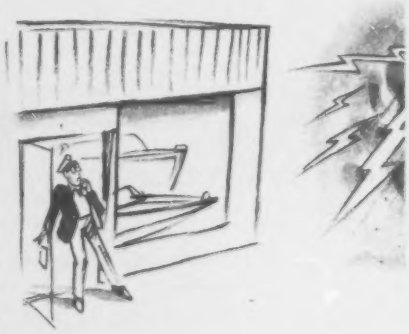
BOATING INDUSTRY

FEATURES

Dealers of the Southeast
With a plentiful supply of water and a long boating season, boating is a way of life in the Southeast. Too much of a good thing, however, may be a bad thing indeed. 59



Keeping an Eye on Gross Margins
How do dealers react when their margins drop? How should they react? People, sales and management skills open up the options. 64

Inflatables: The State of the Art
Inflatable boats are earning some long-overdue respect in the business of boating. With their rigid hulls and tough fabrics, they're becoming a viable alternative to "real" boats. 66

The Furor Over Styrene
For open-mold boat laminators, exposure to styrene is a fact of life. But as health organizations take a closer look at styrene's alleged health risks, stricter regulations may be on the horizon. 70

Techniques for Closing the Sale
H. J. Friedman closes his Seven Steps to Success series by telling you how to close a sale. 74

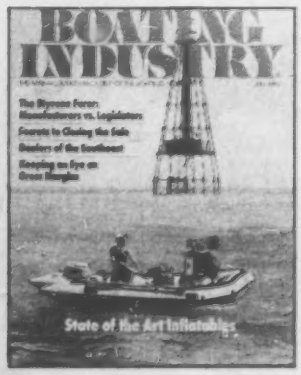
DEPARTMENTS

Editorial
A Marketing Opportunity 9

Reports
Marine Business News 1
Page Six 6
Newswatch 13
Corporate Moves 16
Washington 20
Boat Shows 34

Departments
Financial Digest 57
International 22
Sales & Marketing 24
Retailing 26
Distribution 28
Coastline 30
Associations 32
Calendar 35
New Products 84
Classified 92

Columns
Marinas 38
Law 40



Cover
Inflatables can be used for more than just transportation. Try waterskiing, fishing, diving, exploring . . . anything you'd do in a wooden or fiberglass boat.
PHOTO COURTESY OF ACHILLES

Dealers of the Southeast

Boating is a way of life in this fast-growing region. New dealers are setting up as the population swells with vacationers, retirees and younger families. Some say it's too much of a good thing.

BY JOHN DE GASPARI

The broad swath of the country from the Carolinas, south to the Florida Keys, up through the Panhandle, and west to the Mississippi Delta was the focus of BOATING INDUSTRY's latest regional dealer survey. Nearly all of the states covered for this article share some coastline on the Atlantic seaboard or the Gulf of Mexico. Yet this prodigious amount of coast is balanced nicely by a wealth of lakes and rivers inland.

Indeed, this is America's vacationland, and there is no shortage of attractions for outdoor enthusiasts, from the deep-sea fishing haven off Cape Hatteras to the lake-studded Great Smokey Mountains to the Florida Keys that stretch like a string of pearls off the tip of the peninsula. It's really no surprise that boating is a big business here, both for the boatbuilders that are busily turning out new models to meet consumer demand, and dealers—many of whom are recent arrivals—that have come to set up shop. Dealers in the Southeast grossed an average of $2,607,903 for all products sold and services rendered, according to the survey.

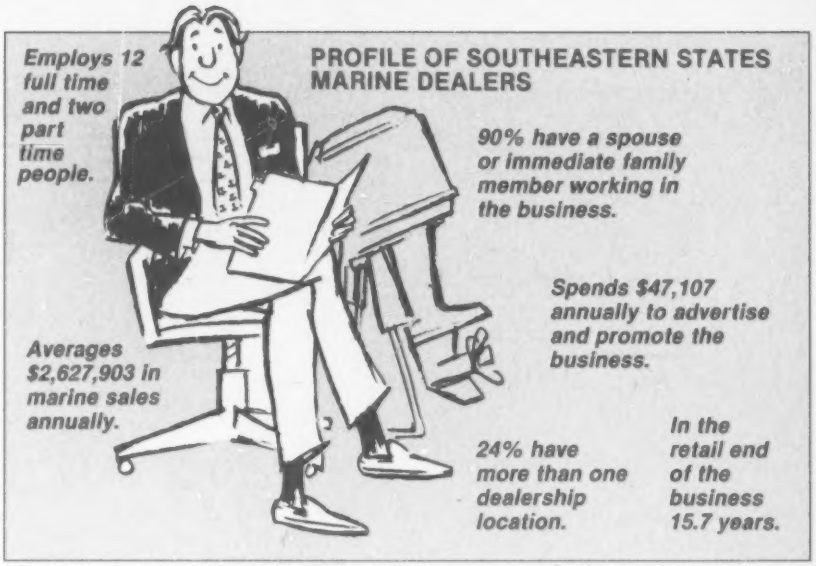
This is nearly twice the average for every other region (excluding the Pacific states) covered so far in similar surveys conducted by this magazine.

The region's plentiful supply of water, long boating season, and booming tourist economy were all named by respondents as prime assets of doing business in the Southeast. Yet the very advantages that make the region so alluring to boat dealers have also led to sharply increased competition in many areas and have cut profit margins, according to many businesses polled.

Half of them cited heavy local competition as a major factor affecting business in their particular

areas. Nearly 40 percent of the dealers felt that business would be either the same or down somewhat from the previous year, and one fifth of that number based their predictions on the fact that there were so many dealers in their localities.

In some areas, especially on Florida's west coast, this problem is exacerbated by bad weather and a fishing ban on redfish and snooker—major attractions for sportfishermen. These setbacks have already put a crimp on sales this year. (The simultaneous ban on both varieties of fish have hit dealers in the area particularly hard. For example, Capt. Joe Beng, owner of Capt. Joe's Pine Island Marine & R.V. Service on Pine Island, off Ft. Myers, FL, who depends on business from retirees from the North, explained, "There are a lot of guys who have been coming here for years. This is a resort island, and fishing is the only draw. When they found out they couldn't catch redfish *or* snooker, they said, 'What for? Why bother coming?' Those are our two major sought-after species. It's had a major impact.")

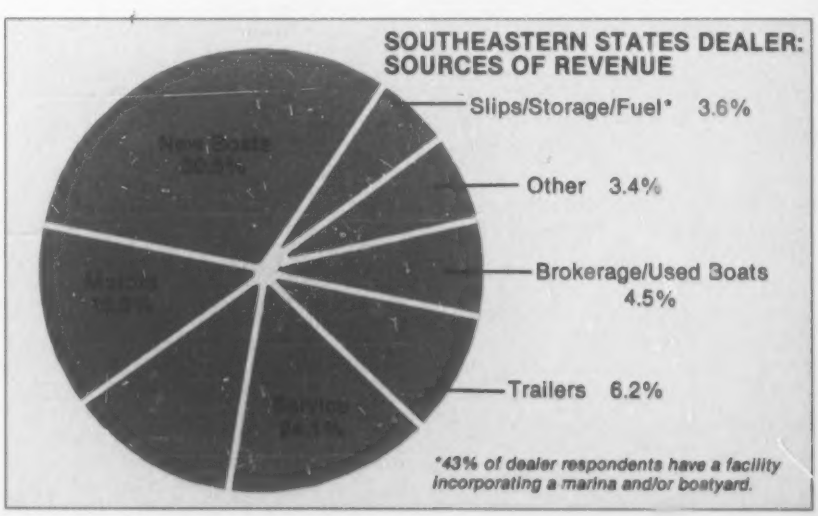

PROFILE OF SOUTHEASTERN STATES MARINE DEALERS
Employs 12 full time and two part time people.
90% have a spouse or immediate family member working in the business.
Spends $47,107 annually to advertise and promote the business.
Averages $2,627,903 in marine sales annually.
24% have more than one dealership location.
In the retail end of the business 15.7 years.

In the face of heavy competition, territory protection was a high priority among dealers.

Some dealers predict that the overcrowding of businesses will cause competitors to dump product. Jack Watson, general manager of Harbor View Marine in Pensacola, FL, said that of six dealers operating in the area, three were new; in addition, a Bayliner dealership was in the process of setting up shop. He didn't think that the area could support all of the inventory on dealers' hands, particularly with local problems hurting sales, and expected dumping to occur shortly. "Something has got to give. All of these dealerships are loaded, and the people who are managing them are smart enough to realize that they can't go through the winter with (the inventory); so they are going to discount heavily and profits are going to come down."

In the face of the heightened local competition, territory protection was a high priority among boat dealers with regard to product selection. Fifty-seven percent of respondents named it as a major factor in deciding whether to add or drop a line; this ranked second only to quality of construction. This has become a sensitive point with a sizeable number of dealers. Eleven percent singled out the need for better territory protection from manufacturers, or pointed to an erosion between the traditional relationship between manufacturers and dealers.

For example, one dealer in central Florida who grosses $10 million annually remarked that the "boat business is very badly fragmented. In Florida there are 30 percent more dealers now than in 1986, and they are growing in numbers." Despite the dealer's location in a high growth area, he said there was a need for fewer dealerships, and added that manufacturers apparantly disagreed. "The manufactur-


SOUTHEASTERN STATES DEALER: SOURCES OF REVENUE
Slips/Storage/Fuel* 3.6%
Other 3.4%
Brokerage/Used Boats 4.5%
Trailers 6.2%
*43% of dealer respondents have a facility incorporating a marina and/or boatyard.

BEST SELLERS SOUTHEASTERN STATES

BOATS

Fishing Boats
Runabouts
Cruisers
Pontoon Boats
SailBoats

ACCESSORIES

Electronics
Hardware
Safety Gear
Lubricants
Cleaners

POWER OPTIONS

Outboards
Inboard/Outboards
Inboards

ers think that the marine business is like selling cars (in volume). That is not so. . . . Even though our business has larger dealerships, we still need protection by manufacturers. We do not see that coming."

This opinion is shared by some small shops as well. One Florida dealer grossing $400,000 annually also complained about too many dealers: "In a 20-mile radius there are five OMC dealers (outboards), and the customer can price shop till none of us make any money."

Nor is the issue limited to just Florida. Sam Cassidy, owner of Lugoff Marine, a smaller dealership in Lugoff, SC, complained bitterly about the lack of territory protection, and said that the problem is widespread. "Marine dealers—not just in this state, but in all of them—don't have a franchise agreement. All they have is a sales agreement, and it's not worth the paper it's written on," he said, referring to both engine manufacturers and boatbuilders. "You can't sell your business and maintain any motor line. . . . Can't sell it to the next guy. It's up to them to approve. You don't have any bargaining power for the business other than your clientele. I think this is wrong, and we need to do something about it."

Cassidy's frustration stems from the fact that, as a dual dealer of both Johnson and Mercury outboards, he was dropped by Mercury because he had Johnson. After end-

CLOSEUP

Service, Anyone?

Jack Bergbom loves working outdoors, likes to sail, is attracted to Florida, and feels retail is a fun business, because "you deal with customers on a one-on-one basis and you have to be friendly and courteous. That attracts me."

The key to that statement is the friendly and courteous aspect. Boating aside, where Jack is the manager of Cannons Marine in Longboat Key, FL, Bergbom is your basic friendly guy; one who goes the extra mile for anyone. It's no wonder that Cannons Marine is a successful enterprise. They stress service.

Successful as it may be, Cannons does feel the squeeze when it comes to selling big name products, mainly because of the way these manufacturers are marketing their products. "All the dealers don't pay the same price. It's totally based on volume. Five or six years ago there wasn't the discrepancy between the top guys who are knocking out 50 motor orders at a time and the little guy who is putting together the six to 12 motor order."

"Mail Order Dealers"

Five years ago, Cannons was one of the top 100 Evinrude dealers in the country. Now, says Bergbom, "I can't give them away." With the advent of "mail order motor dealers," customers can order products from a large dealer and have them shipped, saving them money but hurting the small dealers. These smaller dealers still must service these items.

"We've always predicated ourselves on being a small place. We handle the customer one-on-one, provide a lot of service when it's needed — but nobody wants to pay for it anymore. So its real hard to compete. We try to take care of the people we sell products to. Some people realize that and won't go to the 'mail order' guy because he can't service the product."

That's why the marina recently added Yamaha outboards to their product line. Because there isn't the same kind of price competition present between Yamaha dealers, they can still make money from those motors.

Rentals Available

When it first opened in 1955, Cannons was strictly a boat rental company. They still rent boats today, mainly because the area attracts many tourists interested in taking a boat ride.

Renting boats makes good business sense, although it is expensive. To rent, one must have good, clean products and service them regularly. The payback, says Bergbom, is that "it gives us an opportunity to demonstrate our products and make some money at the same time." Cannons keeps approximately 20 rental boats in its yard, ranging from 14 to 24 feet. Many times these boats are later sold as demos to a consumer who doesn't want to spend top dollar.

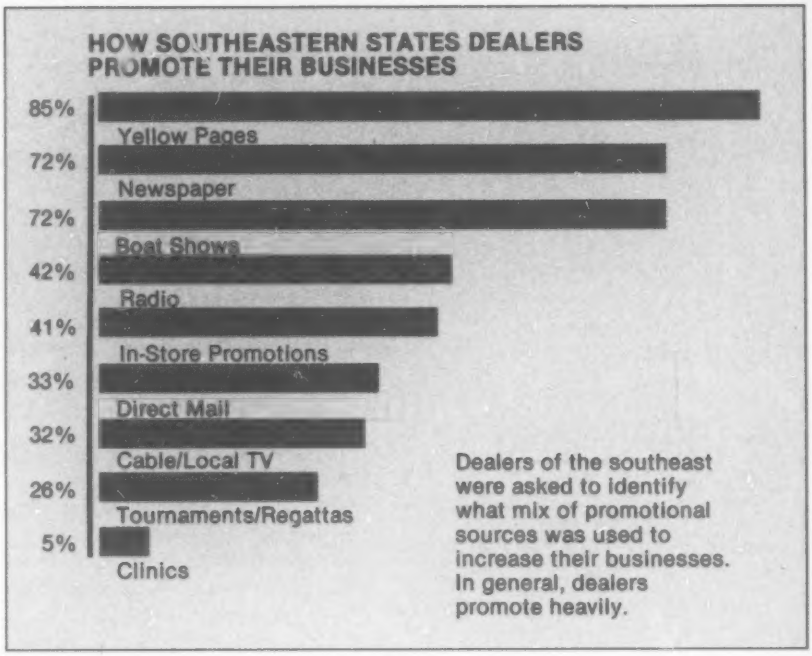
The Longboat Key marina tries to keep business on a personal level whenever possible. "We like to know our customers and like them to know us — that's a big part of it."

To keep customers coming back, the manager says, "You just treat them right." Sounds like Jack Bergbom, who is attracted to dealing with customers on an individual basis, knows how to attract them.□

—Ralph R. Valente

ing its agreement with him, Mercury allowed him to continue to sell the motors he had already purchased under its floorplan, but he cannot service or warranty the Mercury products that he sells, he claims. Cassidy sees this as unfair to the customer as well as the dealer.

Customer demand ranked in the top three factors that influence dealers to carry a line.



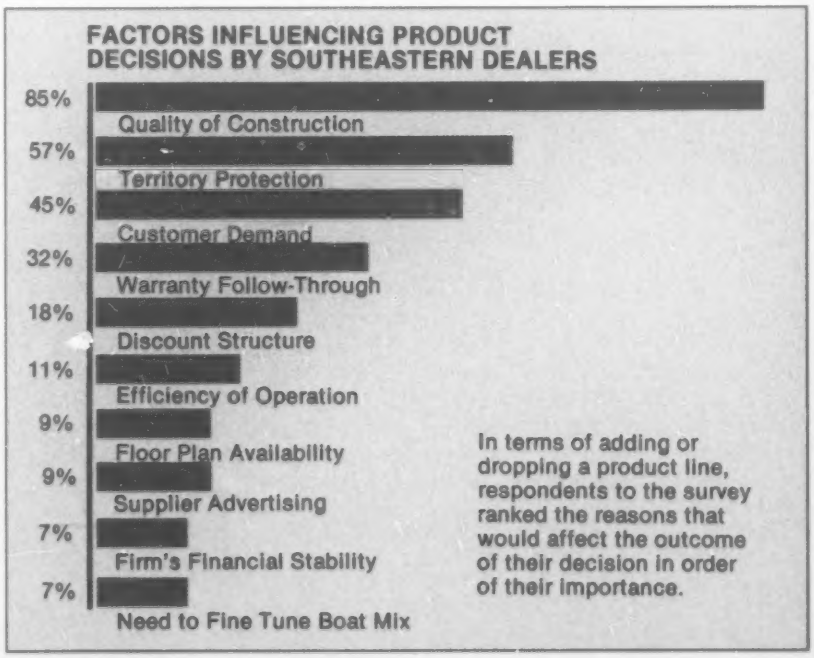
"I would not have bought any of the motors in '87 or '88 if I had known they were going to drop me. All they have to do is give you 90 days notice." He added that he suspected that some manufacturers want to do away with "mom and pop" dealers.

Those polled differed somewhat as to the source of most of the competition. Some saw a trend toward high-volume "mega-dealers"; others pointed their fingers at small, "shoestring" operations that don't understand profit margins. A few predicted a shakeout in the business if the economy should soften. Many agreed, though, that the marketplace was becoming increasingly crowded, despite big gains in population and solid local economies.

In the face of this competition, dealers in the region have become increasingly aggressive, keeping a close eye on consumer preferences and marketing quite heavily. Of those who answered the question, over a third of the dealers indicated that promotion, and customer satisfaction—by anticipating demand, having product knowledge, or providing service—most influence the success or failure of a dealership. In fact, service accounted for about 24 percent of total revenue for the average dealer. This is second only to new boat sales (30.5 percent). (Available financing, good location, and a strong economy were also mentioned as factors.)

Their answers also suggest that customers may be a bit more demanding than they once were. Nearly 15 percent of dealers who answered the question said that greater customer sophistication accounted for the biggest change in the marine business over the last several years. Not surprisingly, customer demand ranked in the top three factors—after quality of construction and territory protection—that would most influence a dealer to add or drop a line.

One advantage of the Southeast, with its growing population, is a



reasonably available supply of labor, most of those polled indictated. Wages tended to be low to moderate, although there were some exceptions.

One difficulty in the region—as in other areas of the country — is a shortage of qualified mechanics. R.D. Jones, owner of Thompson's Marine and Small Engine, in Greenville, MS, a rural, agricultural area, said, "We just can't find one. We've been advertising for qualified mechanics for 10 years and haven't found one yet."

Other dealers may have been luckier in their search, but several say that competition for good people is keen. According to John Wilkins, owner of Chris Craft of Myrtle Beach, Myrtle Beach, SC, "Expertise is hard to find. There is a lot of competition for people here. There are 17 boat dealers in the area that's got a base population of probably 65,000 people." Another dealer on the west coast of Florida remarked that, in addition to a general shortage of trained marine mechanics, "the (Florida) wage scale has never been enough to attract anyone."

Jack Watson says that labor is one issue that the marine industry is going to have to address. "We've got too many people out in the field that are screwing up our reputation," he remarked. As a solution, he would like to see major manufacturers group together to build a school—and offer scholarships. "It's going to take something like that to produce a good quality mechanic." Several other dealers queried pointed to a need for well-financed, industry-sponsored trade schools as well.

All of this is not to say that the Southeast is beseiged by problems. Boating is very much a way of life here. Mild weather and relative prosperity form a powerful magnet drawing a steady stream of people from other areas of the country. They are coming as tourists and as retirees, with plenty of cash to spend. The region is drawing younger families as permanent residents as well, lured by companies that have pulled their stakes in the Northeast and Midwest and reset-

(continued on page 91)

CLOSEUP

The Retail Challenge

In many ways, a first job can parallel a first love. Take John Fowler, owner of Economy Marine, Inc. in Mobile, AL. Not really sure of what kind of career he wanted for himself, Fowler, who had spent eight years in the Air Force, went to an employment agency in 1970. It was there, in Pensacola, FL, that he got his introduction to boating.

Fowler went from salesman to general manager of Pensacola Boat Mart. When they opened a sister operation in Birmingham, AL, he was named GM of both, commuting between the two.

In 1978, the dealership was sold and the retailer went to Sarasota, FL, for "one terrible year." The marina was forced to close in 1979 due to the gas shortage. Says Fowler, "We all remember 1979, in South Florida particularly; they ran out of gas."

Retail Business Still New

Wanting to get back to Alabama, Fowler decided to open his own dealership in Mobile. Why did he stay in retailing? "The retail business, I just love...it's still new after all these years. To me, it's a challenge to get someone to buy my product."

One of the biggest problems in the area, according to Fowler, is the inability to get good, quality labor — especially mechanical. "Being able to provide the service that I would like to have as a customer is tough. When I have a problem with a customer who is bothered by the amount of time it takes to service his boat (we sometimes get two weeks behind), it's a killer; I hate that."

Wanted: Service Stations

Fowler feels that the industry needs to address this issue. It should be more like the automobile industry, where there are many qualified service stations. The owner's opinion is that it would be beneficial to manufacturers, as well as the industry as a whole, if they sponsored service centers.

Another frustrating aspect of this business is the lack of education of the first-time buyer, who, the dealer believes, doesn't know how to shop; he generally buys in feet and price. It's very difficult to get him to recognize value.

"I think that's a little bit of a problem. A customer buys the cheapest priced boat, and, in three years (in some cases) he has little or nothing left, either to trade or to step up to a new boat.

"Consequently he says, 'To hell with this business,' sells his boat to the first offer, and gets out. The industry loses him. He goes

(continued on page 91)

SOUTHEAST

continued from page 63

tled in the sunny South. The growth is not limited to Florida, either. Dealers in the Carolinas, Georgia, Kentucky, and Alabama are benefitting from the same trends.

But there are troubled areas as well. The oil industry bust has had some negative impact on dealers on the Gulf coast, although this appears to be more concentrated in Louisiana and Texas. A Mississippi dealer in the central part of that state said that the soft agricultural economy and lack of rain slowed his business. Even the October 1986 stock market crash in faraway New York has made some people cautious about making big purchases, said some dealers.

To be sure, the Southeast is a mixed bag for boat dealers; ironically, some of its troubles stem from too much of a good thing. Still, the region continues to hold promise of prosperity for many of the dealers polled—even if they have to buy smarter, sell harder, and service better than the guy down the street. After all, many problems that dealers face are little different than those faced by their counterparts in other regions of the country.□

FOWLER

continued from page 63

and buys a motor home...or a swimming pool. That's our competition."

Economy Marine, in an attempt to convert the customer from a price buyer to a quality buyer, chooses to sell what it feels are higher quality boats. (Its prominent line is Sea Ray.)

Steak and Sizzle

Each potential customer that comes into the dealership is given a comprehensive, 30-page brochure on the Sea Ray line. "My salespeople have to be very, very sharp to sell not only the sizzle, but some of the steak, too."

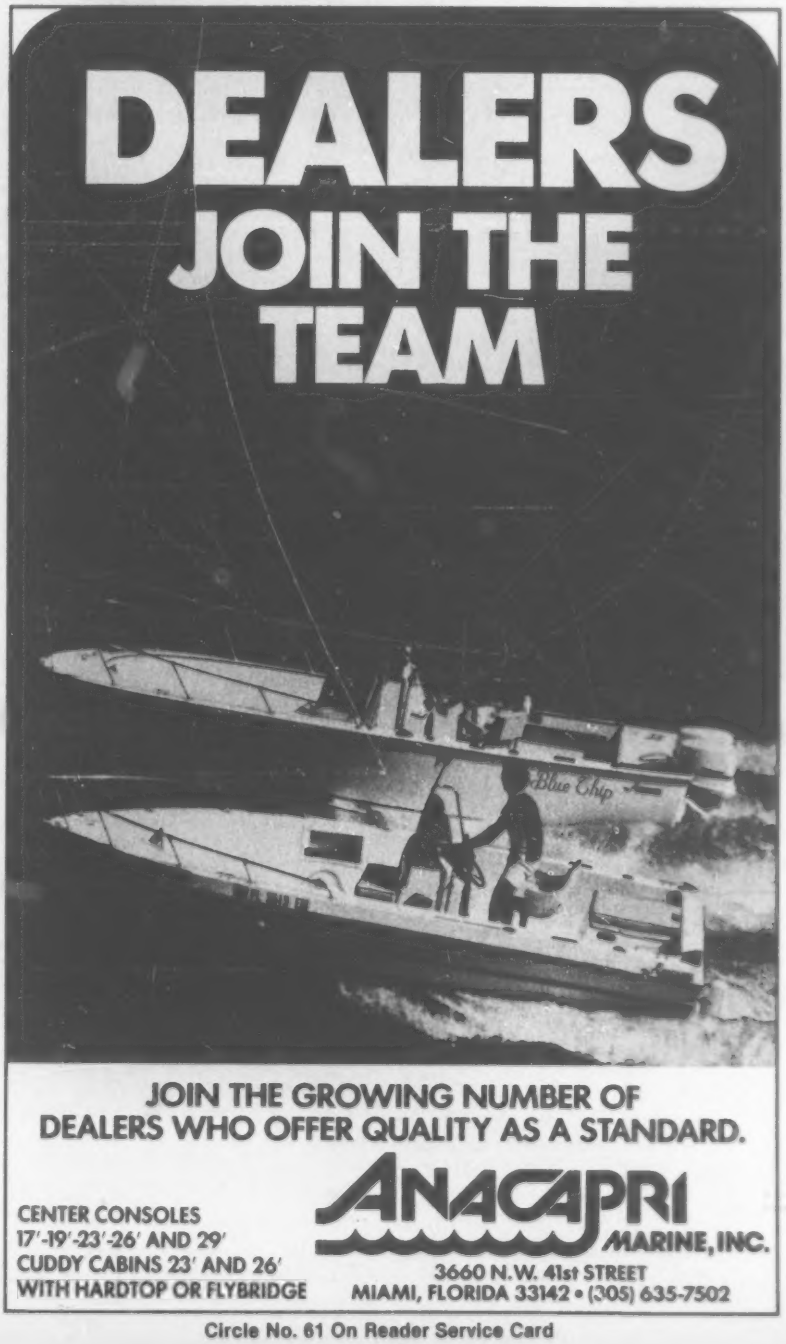
Those salespeople, which are trained in-house, from scratch, are taught to stress the long-term relationship. "I try to stay away from the big D (dominant) type of sales guy that likes to hammer customers because customers eventually resent that. They may buy from you but when they walk away they feel very uncomfortable."

Why should someone buy from Economy Marine?

"I feel that we offer absolutely the best product available in this industry, considering all the different factors: the quality of the product, the pricing of the product and the level of involvement of the factory—how well they back *me* up, so I can back up my customers."

Fowler, who got into boat dealing because he "needed a job," still has an adoration for retailing. Despite the frustrations, the owner has no plans to get out. Why should he? Economy Marine has enjoyed a better than 30 percent growth margin per year since its inception. Besides, one never forgets a first love.□

—Ralph R. Valente



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